



Dave Yost • Auditor of State

**CITY OF BOWLING GREEN
WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Bowling Green
Wood County
304 North Church Street
Bowling Green, Ohio 43402-2399

To the City Council:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Playground and Recreation funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The comparative enterprise fund financial statements listed in the table of contents provide additional analysis and are not a required part of the basic financial statements. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The statements and the schedule are management's responsibility, and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 19, 2012

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

The discussion and analysis of the City of Bowling Green's financial performance provides an overview of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2011 are as follows:

In total, the City's net assets increased \$6,161,199, or 4 percent. Governmental activities decreased 8 percent and business-type activities increased 7 percent.

A review of the enterprise funds reflects an operating income for the Electric Fund and an operating loss for the Water Fund and Sewer Fund. However, the Water fund had an increase in net assets due to capital contributions.

One important aspect to consider with the Water and Sewer funds is that governmental funds finance a significant portion of water and sewer infrastructure improvements through a portion of the City's income tax. Of the one and one-half percent income tax that is divided by ordinance between various funds, the Sewer and Water Improvement fund receives 33.3 percent of the proceeds.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Bowling Green's financial position.

The statement of net assets and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, Playground and Recreation, Sewer and Water Improvement, Street Repair, Electric, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; electric, water, and sewer lines). These factors must be considered when assessing the overall health of the City.

In the statement of net assets and the statement of activities, the City is divided into two types of activities:

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Governmental Activities - Most of the City's programs and services are reported here, including security of persons and property (police, fire, and ambulance), public health, leisure time activities, community environment, basic utility services, transportation, and general government (court and other). These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's electric, water, and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Playground and Recreation, Sewer and Water Improvement, Street Repair, Electric, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The City uses enterprise funds to account for electric, water, and sewer operations. Internal service funds are an accounting device used to accumulate and allocate internal costs among the City's other programs and activities. The internal service fund accounts for engineering services that are provided to the other departments of the City or to other governmental units.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 presents a summary of the City's net assets for 2011 and 2010.

Table 1
Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| <u>Assets</u> | | | | | | |
| Current and Other Assets | \$22,752,952 | \$23,604,031 | \$34,044,871 | \$30,408,588 | \$56,797,823 | \$54,012,619 |
| Capital Assets, Net | 45,031,807 | 47,506,141 | 107,459,207 | 105,752,819 | 152,491,014 | 153,258,960 |
| Investment in Joint Venture | | | 10,744,563 | 11,100,305 | 10,744,563 | 11,100,305 |
| Total Assets | <u>67,784,759</u> | <u>71,110,172</u> | <u>152,248,641</u> | <u>147,261,712</u> | <u>220,033,400</u> | <u>218,371,884</u> |
| <u>Liabilities</u> | | | | | | |
| Current and Other Liabilities | 4,705,313 | 5,380,308 | 3,903,639 | 7,259,903 | 8,608,952 | 12,640,211 |
| Long-Term Liabilities | 31,788,950 | 31,680,658 | 13,390,955 | 13,967,671 | 45,179,905 | 45,648,329 |
| Total Liabilities | <u>36,494,263</u> | <u>37,060,966</u> | <u>17,294,594</u> | <u>21,227,574</u> | <u>53,788,857</u> | <u>58,288,540</u> |
| <u>Net Assets</u> | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 34,269,902 | 37,500,159 | 102,485,082 | 98,929,364 | 136,754,984 | 136,429,523 |
| Restricted | 10,741,573 | 11,452,678 | | | 10,741,573 | 11,452,678 |
| Unrestricted (Deficit) | (13,720,979) | (14,903,631) | 32,468,965 | 27,104,774 | 18,747,986 | 12,201,143 |
| Total Net Assets | <u>\$31,290,496</u> | <u>\$34,049,206</u> | <u>\$134,954,047</u> | <u>\$126,034,138</u> | <u>\$166,244,543</u> | <u>\$160,083,344</u> |

As reflected in the above table, the change in net assets for governmental activities was a decrease of 8 percent, or almost \$2.8 million. The most significant change is reflected in the decrease in net capital assets and invested in capital assets due to the sale of at a loss of \$3.9 million. These assets were sold to a private developer for \$1.

Business-type activities reflect an increase in net assets of \$8.9 million (7 percent). There were several significant items of note which occurred within business-type activities. There was an increase in current and other assets of \$3.6 million primarily due to an increase in cash being held with AMP-Ohio (fiscal agent) and an increase in the receivable for recovered purchased power related to the recovery of the stranded costs associated with the AMPGS project (refer to AMP-Ohio Payable disclosure in Note 17). The increase in net capital assets and invested in capital assets was primarily due to assets contributed to the Water and Sewer funds from governmental funds. The decrease in current and other liabilities is largely due to a decrease in the liability for recovered purchased power payable as there was a slight over recovery in 2011 and a reduction in the principal amount of notes payable.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for 2011 and 2010.

Table 2
Change in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$3,979,701 | \$4,047,565 | \$50,666,816 | \$52,871,599 | \$54,646,517 | \$56,919,164 |
| Operating Grants, Contributions, and Interest | 2,678,854 | 2,688,458 | | 20,000 | 2,678,854 | 2,708,458 |
| Capital Grants and Contributions | 799,275 | 8,088,769 | | | 799,275 | 8,088,769 |
| Total Program Revenues | 7,457,830 | 14,824,792 | 50,666,816 | 52,891,599 | 58,124,646 | 67,716,391 |
| General Revenues | | | | | | |
| Property Taxes-General Purposes | 1,635,563 | 1,618,567 | | | 1,635,563 | 1,618,567 |
| Property Taxes-Playground and Recreation | 639,292 | 554,603 | | | 639,292 | 554,603 |
| Municipal Income Taxes | 15,260,974 | 14,316,282 | | | 15,260,974 | 14,316,282 |
| Other Local Taxes | 2,081,408 | 1,896,077 | | | 2,081,408 | 1,896,077 |
| Grants and Entitlements not Restricted to Specific Programs | 1,691,216 | 1,840,856 | | | 1,691,216 | 1,840,856 |
| Franchise Taxes | 301,114 | 297,554 | | | 301,114 | 297,554 |
| Interest | 204,051 | 443,558 | 22,769 | 15,621 | 226,820 | 459,179 |
| Other | 250,519 | 425,285 | 1,152,247 | 1,250,707 | 1,402,766 | 1,675,992 |
| Total General Revenues | 22,064,137 | 21,392,782 | 1,175,016 | 1,266,328 | 23,239,153 | 22,659,110 |
| Total Revenues | 29,521,967 | 36,217,574 | 51,841,832 | 54,157,927 | 81,363,799 | 90,375,501 |

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Program Expenses | | | | | | |
| Security of Persons and Property | | | | | | |
| Police | \$5,592,238 | \$5,720,461 | | | \$5,592,238 | \$5,720,461 |
| Fire/Ambulance | 5,661,189 | 5,647,076 | | | 5,661,189 | 5,647,076 |
| Public Health | 86,498 | 87,516 | | | 86,498 | 87,516 |
| Leisure Time Activities | 1,958,041 | 1,952,030 | | | 1,958,041 | 1,952,030 |
| Community Environment | 903,063 | 1,349,716 | | | 903,063 | 1,349,716 |
| Basic Utility Services | 601,968 | 652,542 | | | 601,968 | 652,542 |
| Transportation | 4,899,587 | 5,578,365 | | | 4,899,587 | 5,578,365 |
| General Government | | | | | | |
| Court | 1,541,566 | 1,688,505 | | | 1,541,566 | 1,688,505 |
| Other | 7,005,590 | 3,416,020 | | | 7,005,590 | 3,416,020 |
| Internal Service Fund External Portion | 44,029 | 37,423 | | | 44,029 | 37,423 |
| Interest and Fiscal Charges | 1,032,250 | 946,792 | | | 1,032,250 | 946,792 |
| Electric | | | \$36,507,046 | \$41,073,980 | 36,507,046 | 41,073,980 |
| Water | | | 4,343,152 | 4,207,577 | 4,343,152 | 4,207,577 |
| Sewer | | | 5,026,383 | 4,701,151 | 5,026,383 | 4,701,151 |
| Total Expenses | 29,326,019 | 27,076,446 | 45,876,581 | 49,982,708 | 75,202,600 | 77,059,154 |
| Increase in Net Assets Before Transfers | 195,948 | 9,141,128 | 5,965,251 | 4,175,219 | 6,161,199 | 13,316,347 |
| Transfers | (2,954,658) | (9,053,454) | 2,954,658 | 9,053,454 | | |
| Increase (Decrease) in Net Assets | (2,758,710) | 87,674 | 8,919,909 | 13,228,673 | 6,161,199 | 13,316,347 |
| Net Assets Beginning of Year | 34,049,206 | 33,961,532 | 126,034,138 | 112,805,465 | 160,083,344 | 146,766,997 |
| Net Assets End of Year | \$31,290,496 | \$34,049,206 | \$134,954,047 | \$126,034,138 | \$166,244,543 | \$160,083,344 |

For governmental activities, program revenues decreased substantially (50 percent) due to a decrease in capital grants and contributions. In the prior year, the City received capital grants for a reverse osmosis project and improvements on North Main Street as well as received a significant contribution of capital assets. General revenues were fairly similar to the prior year; however, there was an increase of almost 7 percent for municipal income taxes. Beginning on January 1, 2011, the City began collecting an additional .08 percent for fire department operations in addition to a modestly improving economy.

For expenses, there was an 8 percent increase from 2010, which is primarily reflected in the general government - other program. This increase was due to the \$3.9 loss on disposal of capital assets. The City's largest governmental activities expenses are related to the police and fire departments.

As expected, program revenues make up a significant portion of the total revenues for business-type activities (over 98 percent). The \$2.2 million decrease in charges for services is primarily due to a decrease in the power cost adjustment for the Electric Fund due to a slight over recovery in 2011.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Expenses for business-type activities remained fairly similar to the prior year for the Water and Sewer funds; however, there was a decrease in expenses for the Electric Fund related to purchased power costs.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|--|------------------------|---------------------|----------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Security of Persons and Property | | | | |
| Police | \$5,592,238 | \$5,720,461 | \$5,267,323 | \$5,416,686 |
| Fire/Ambulance | 5,661,189 | 5,647,076 | 5,236,223 | 5,214,059 |
| Public Health | 86,498 | 87,516 | 51,581 | 47,498 |
| Leisure Time Activities | 1,958,041 | 1,952,030 | 1,120,280 | (2,853,907) |
| Community Environment | 903,063 | 1,349,716 | 534,102 | 519,408 |
| Basic Utility Services | 601,968 | 652,542 | 474,050 | (1,943,077) |
| Transportation | 4,899,587 | 5,578,365 | 1,487,369 | 2,055,682 |
| General Government | | | | |
| Court | 1,541,566 | 1,688,505 | (107,305) | (328,786) |
| Other | 7,005,590 | 3,416,020 | 6,762,835 | 3,177,913 |
| Internal Service Fund External Portion | 44,029 | 37,423 | 9,481 | (614) |
| Interest and Fiscal Charges | 1,032,250 | 946,792 | 1,032,250 | 946,792 |
| Total Expenses | \$29,326,019 | \$27,076,446 | \$21,868,189 | \$12,251,654 |

For 2011, there was a substantial decrease in program revenues (due to the significant decrease in capital grants and contributions), therefore, more costs had to be provided for through general revenues (primarily property taxes, income taxes, and unrestricted grants and entitlements). Note that general revenues provide for most of the costs of providing police, fire, and ambulance services (93 percent paid from general revenues). The programs receiving significant support through program revenues in 2011 included the leisure time activities program, which is supported through admission and sports fees, rentals, and concession charges. The community environment program received grant resources through the Ohio Department of Development for neighborhood stabilization efforts. The change in the net cost or services for the basic utility program was due to a grant in received 2010. The transportation program receives charges for services in the form of permissive motor vehicle license monies and operating grants in the form of State levied motor vehicle license fees and gas taxes. The municipal court receives substantial support through fines, costs, and fees as well as some support through grant resources.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Playground and Recreation special revenue fund, and the Sewer and Water Improvement and Street Repair capital projects funds. For 2011, the General Fund had a 17 percent increase in fund balance. Both revenues and expenditures were similar to the prior year; the increase is due to the excess of revenues over expenditures.

The Playground and Recreation Fund had an increase in fund balance of almost 63 percent. Most revenue sources were slightly higher than the prior year and expenditures did not change a great deal from 2010.

Fund balance in the Sewer and Water Improvement Fund increased over 7 percent and is due, in large part, to additional loan proceeds from the Ohio Water Development Authority. Revenues and expenditures can change dramatically in this fund from year to year depending upon projects undertaken by the City and the financing of those projects.

Fund balance in the Street Repair Fund decreased 22 percent and is due to project costs exceeding revenues for the year.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, and Sewer funds. A review of the statement of revenues, expenses, and change in fund net assets reveals an operating income for the Electric Fund, while the Water and Sewer funds had operating losses again in 2011. Net assets increased 21 percent in the Electric Fund. Revenues decreased over \$2.5 million from the prior year due to the change in the power cost adjustment (a component of the overall electric utility rate). Expenses decreased over \$2.6 million, primarily due to lower purchased power costs.

Despite an operating loss in the Water fund, this fund reflects an increase in net assets of almost 5 percent due largely to the contribution of capital assets from governmental funds.

The Sewer fund not only had an operating loss but also reflected a slight decrease in net assets (1 percent).

When considering the Water and Sewer funds, the one-half percent income tax that contributes to various water and sewer improvements must also be taken into account. During 2011, capital asset contributions from the Sewer and Water Improvement capital projects fund were \$2,462,595 in the Water Fund and \$492,063 in the Sewer Fund.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is passed by City Council by January 1 of each year. The City has been adopting a permanent appropriations ordinance prior to the start of a new year since 1999.

The City's most significant budgeted fund is the General Fund. For revenues, modifications from the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, modifications from the original budget to the final budget were not significant; however modifications from the final budget to actual expenditures show that the City spent less than was appropriated by over \$1 million. Even though the change was over \$1 million, there were no major changes in any one expenditure line item.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2011, was \$34,269,902 and \$102,485,082, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; buildings; equipment; vehicles; streets; and electric, water, and sewer lines. Additions to governmental capital assets for 2011 consisted primarily of the construction in progress for the North Main Street project and of street improvements. In 2011, the primary disposals consisted of land and a building sold to a private developer for \$1. The most significant additions for business-type activities were an increase in construction in progress on various water and sewer projects, and improvements to electric, water, and sewer lines. Disposals were minimal. For further information regarding the City's capital assets, refer to Note 9 to the basic financial statements.

Debt - At December 31, 2011, the City had \$3,500,000 in outstanding bond anticipation notes, \$7,328,132 in general obligation bonds, and \$19,276,341 in OWDA loans payable from governmental activities. Business-type activities had \$985,000 in bond anticipation notes and \$4,043,870 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$6,612,919, as part of the City's agreement as a participant in the Ohio Municipal Electric Generation Agency Joint Ventures 2 and 6, to pay debt issued by AMP-Ohio to acquire capital assets for the joint ventures.

As well as the debt outlined above, the City's long-term obligations also include compensated absences and capital leases. For further information regarding the City's debt, refer to Notes 17, 18, and 19 to the basic financial statements.

CURRENT ISSUES

Work continues on the major road widening project on North Main Street designed to add a center turn lane. Funding for the project is from federal stimulus funds as well as a local contribution. In March 2010, the City borrowed \$2.2 million in bond anticipation notes to finance the local share of the project. The note was renewed and increased in March 2011 to \$3.5 million, and in March 2012 a portion of the note was paid down and a renewal was issued for \$2.75 million. These resources are funding project startup costs, acquisition of right of way, and to help fund the City's share of the construction. Completion of the project is expected in 2012 or 2013.

In 2012, voters in the City approved an additional property tax to fund the replacement of the aquatic facility located in City Park. The twenty year tax will cover the anticipated debt payments for the project. A \$3.1 million bond anticipation note was issued in 2012 to cover the initial costs of construction. The City anticipates issuing bonds in March 2013 to cover the cost of the aquatic facility.

The City will also be issuing bonds in March 2013 for the North Main Street widening project.

The City is also in the process of refinancing the 2004 Various Purpose Improvement bonds to take advantage of the current favorable interest rate environment.

In 2011, work began on electric system improvements for the expansion of Vehtek Systems, a local automotive manufacturer. The final phase of the improvements will require the expansion of the Dunbridge Road substation. An additional \$3,000,000 in bond anticipation notes will be issued to finance the project.

Work also continues on other utility projects including the Poe and Mercer Road pump station, Conneaut Avenue lift station and force main replacement, and the East Gypsy Lane Road waterline. Low-interest OWDA loans and OWPC grants are anticipated for funding these projects.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brian Bushong, Finance Director, 304 North Church Street, Bowling Green, Ohio 43402-2399.

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City of Bowling Green
Statement of Net Assets
December 31, 2011

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| <u>Assets</u> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$14,105,284 | \$21,529,579 | \$35,634,863 |
| Cash and Cash Equivalents in Segregated Accounts | 2,725 | | 2,725 |
| Cash and Cash Equivalents with Escrow Agents | 125,219 | | 125,219 |
| Cash and Cash Equivalents with Fiscal Agents | | 1,932,007 | 1,932,007 |
| Accounts Receivable | 657,614 | 5,665,249 | 6,322,863 |
| Accrued Interest Receivable | 73,936 | | 73,936 |
| Due from Other Governments | 1,621,410 | 7,609 | 1,629,019 |
| Municipal Income Taxes Receivable | 2,782,039 | | 2,782,039 |
| Other Local Taxes Receivable | 52,591 | 127,146 | 179,737 |
| Internal Balances | 89,673 | (89,673) | |
| Prepaid Items | 68,276 | 68,275 | 136,551 |
| Materials and Supplies Inventory | | 1,266,184 | 1,266,184 |
| Property Taxes Receivable | 2,146,387 | | 2,146,387 |
| Notes Receivable | 484,955 | | 484,955 |
| Special Assessments Receivable | 446,889 | | 446,889 |
| Recovered Purchased Power Receivable | | 3,483,750 | 3,483,750 |
| Unamortized Bond Issuance Cost | 95,954 | 54,745 | 150,699 |
| Nondepreciable Capital Assets | 6,622,269 | 22,855,479 | 29,477,748 |
| Depreciable Capital Assets, Net | 38,409,538 | 84,603,728 | 123,013,266 |
| Investment in Joint Venture | | 10,744,563 | 10,744,563 |
| Total Assets | 67,784,759 | 152,248,641 | 220,033,400 |
| <u>Liabilities</u> | | | |
| Accrued Wages Payable | 268,196 | 99,899 | 368,095 |
| Accounts Payable | 567,567 | 2,565,582 | 3,133,149 |
| Contracts Payable | 729,627 | 33,080 | 762,707 |
| Matured Compensated Absences Payable | 16,774 | | 16,774 |
| Due to Other Governments | 841,367 | 204,351 | 1,045,718 |
| Accrued Interest Payable | 54,308 | 15,727 | 70,035 |
| Notes Payable | | 985,000 | 985,000 |
| Deferred Revenue | 2,044,204 | | 2,044,204 |
| Retainage Payable | 183,270 | | 183,270 |
| Long-Term Liabilities | | | |
| Due Within One Year | 5,419,451 | 1,683,669 | 7,103,120 |
| Due in More Than One Year | 26,369,499 | 11,707,286 | 38,076,785 |
| Total Liabilities | 36,494,263 | 17,294,594 | 53,788,857 |
| <u>Net Assets</u> | | | |
| Invested in Capital Assets, Net of Related Debt | 34,269,902 | 102,485,082 | 136,754,984 |
| Restricted for | | | |
| Debt Service | 413,371 | | 413,371 |
| Capital Projects | 6,104,451 | | 6,104,451 |
| Street Maintenance and Repair | 973,073 | | 973,073 |
| Community Development | 807,236 | | 807,236 |
| Security of Persons and Property - Police | 590,095 | | 590,095 |
| Security of Persons and Property - Fire | 550,344 | | 550,344 |
| Other Purposes | 1,303,003 | | 1,303,003 |
| Unrestricted (Deficit) | (13,720,979) | 32,468,965 | 18,747,986 |
| Total Net Assets | \$31,290,496 | \$134,954,047 | \$166,244,543 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Activities
For the Year Ended December 31, 2011

| | Program Revenues | | | |
|---------------------------------------|---------------------|-------------------------|---|-------------------------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions, and Interest | Capital Grants and Contributions |
| <u>Governmental Activities</u> | | | | |
| Security of Persons and Property | | | | |
| Police | \$5,592,238 | \$250,803 | \$74,112 | |
| Fire/Ambulance | 5,661,189 | 424,966 | | |
| Public Health | 86,498 | 34,917 | | |
| Leisure Time Activities | 1,958,041 | 777,916 | 59,845 | |
| Community Environment | 903,063 | 12,772 | 356,189 | |
| Basic Utility Services | 601,968 | 14,985 | | \$112,933 |
| Transportation | 4,899,587 | 674,053 | 2,051,823 | 686,342 |
| General Government | | | | |
| Court | 1,541,566 | 1,535,982 | 112,889 | |
| Other | 7,005,590 | 218,759 | 23,996 | |
| Internal Service Fund | | | | |
| External Portion | 44,029 | 34,548 | | |
| Interest and Fiscal Charges | 1,032,250 | | | |
| Total Governmental Activities | 29,326,019 | 3,979,701 | 2,678,854 | 799,275 |
| <u>Business-Type Activities</u> | | | | |
| Electric | 36,507,046 | 43,074,467 | | |
| Water | 4,343,152 | 3,914,051 | | |
| Sewer | 5,026,383 | 3,678,298 | | |
| Total Business-Type Activities | 45,876,581 | 50,666,816 | | |
| Total | \$75,202,600 | \$54,646,517 | \$2,678,854 | \$799,275 |

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Playground and Recreation
Municipal Income Taxes Levied for General Purposes
Municipal Income Taxes Levied for Playground and Recreation
Municipal Income Taxes Levied for Police and Fire
Municipal Income Taxes Levied for Sewer and Water Improvement
Municipal Income Taxes Levied for Capital Improvements
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|---------------|
| | | |
| (\$5,267,323) | | (\$5,267,323) |
| (5,236,223) | | (5,236,223) |
| (51,581) | | (51,581) |
| (1,120,280) | | (1,120,280) |
| (534,102) | | (534,102) |
| (474,050) | | (474,050) |
| (1,487,369) | | (1,487,369) |
| 107,305 | | 107,305 |
| (6,762,835) | | (6,762,835) |
| (9,481) | | (9,481) |
| (1,032,250) | | (1,032,250) |
| (21,868,189) | | (21,868,189) |
| | \$6,567,421 | 6,567,421 |
| | (429,101) | (429,101) |
| | (1,348,085) | (1,348,085) |
| | 4,790,235 | 4,790,235 |
| (21,868,189) | 4,790,235 | (17,077,954) |
| 1,635,563 | | 1,635,563 |
| 639,292 | | 639,292 |
| 5,869,645 | | 5,869,645 |
| 391,269 | | 391,269 |
| 3,521,690 | | 3,521,690 |
| 3,913,055 | | 3,913,055 |
| 1,565,315 | | 1,565,315 |
| 2,081,408 | | 2,081,408 |
| 1,691,216 | | 1,691,216 |
| 301,114 | | 301,114 |
| 204,051 | 22,769 | 226,820 |
| 250,519 | 1,152,247 | 1,402,766 |
| 22,064,137 | 1,175,016 | 23,239,153 |
| (2,954,658) | 2,954,658 | |
| 19,109,479 | 4,129,674 | 23,239,153 |
| (2,758,710) | 8,919,909 | 6,161,199 |
| 34,049,206 | 126,034,138 | 160,083,344 |
| \$31,290,496 | \$134,954,047 | \$166,244,543 |

City of Bowling Green
Balance Sheet
Governmental Funds
December 31, 2011

| | General | Playground and Recreation | Sewer and Water Improvement | Street Repair | Other Governmental | Total Governmental Funds |
|--|--------------------|---------------------------------|-----------------------------------|--------------------|-----------------------|--------------------------------|
| <u>Assets</u> | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3,350,183 | \$572,576 | \$3,899,273 | \$1,287,785 | \$4,854,191 | \$13,964,008 |
| Cash and Cash Equivalents in Segregated Accounts | | | | | 2,725 | 2,725 |
| Accounts Receivable | 655,367 | | | | | 655,367 |
| Accrued Interest Receivable | 73,936 | | | | | 73,936 |
| Due from Other Governments | 950,282 | 28,627 | | 120,915 | 521,586 | 1,621,410 |
| Municipal Income Taxes Receivable | 1,043,265 | 69,481 | 695,441 | 104,327 | 869,525 | 2,782,039 |
| Other Local Taxes Receivable | 39,146 | | | | 13,445 | 52,591 |
| Interfund Receivable | 233,333 | | | | 391,447 | 624,780 |
| Prepaid Items | 68,276 | | | | | 68,276 |
| <u>Restricted Assets</u> | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 50,534 | | | | | 50,534 |
| Cash and Cash Equivalents with Escrow Agents | | | 125,219 | | | 125,219 |
| Property Taxes Receivable | 1,541,642 | 604,745 | | | | 2,146,387 |
| Notes Receivable | | | | | 484,955 | 484,955 |
| Special Assessments Receivable | | | | | 446,889 | 446,889 |
| Total Assets | \$8,005,964 | \$1,275,429 | \$4,719,933 | \$1,513,027 | \$7,584,763 | \$23,099,116 |
| <u>Liabilities and Fund Balance</u> | | | | | | |
| <u>Liabilities</u> | | | | | | |
| Accrued Wages Payable | \$178,914 | \$15,747 | | | \$68,374 | \$263,035 |
| Accounts Payable | 314,509 | 13,644 | \$85,187 | \$11,337 | 141,728 | 566,405 |
| Contracts Payable | | | 528,522 | | 201,105 | 729,627 |
| Matured Compensated Absences Payable | 16,774 | | | | | 16,774 |
| Due to Other Governments | 517,110 | 41,512 | | | 273,097 | 831,719 |
| Interfund Payable | 232,080 | 129,423 | 138,803 | 20,121 | 39,418 | 559,845 |
| Deferred Revenue | 3,180,123 | 666,069 | 327,265 | 170,010 | 1,230,851 | 5,574,318 |
| Retainage Payable | | | 58,051 | | | 58,051 |
| Payable from Restricted Assets | | | | | | |
| Retainage Payable | | | 125,219 | | | 125,219 |
| Total Liabilities | 4,439,510 | 866,395 | 1,263,047 | 201,468 | 1,954,573 | 8,724,993 |
| <u>Fund Balance</u> | | | | | | |
| Nonspendable | 176,760 | | | | | 176,760 |
| Restricted | | 409,034 | 3,456,886 | 1,311,559 | 4,215,559 | 9,393,038 |
| Committed | 289,787 | | | | 1,338,764 | 1,628,551 |
| Assigned | 252,127 | | | | 75,867 | 327,994 |
| Unassigned | 2,847,780 | | | | | 2,847,780 |
| Total Fund Balance | 3,566,454 | 409,034 | 3,456,886 | 1,311,559 | 5,630,190 | 14,374,123 |
| Total Liabilities and Fund Balance | \$8,005,964 | \$1,275,429 | \$4,719,933 | \$1,513,027 | \$7,584,763 | \$23,099,116 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2011

Total Governmental Fund Balance \$14,374,123

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

| | | |
|-------------------------|------------|------------|
| Governmental Activities | 45,031,807 | |
| Internal Service Fund | (19,107) | |
| | 45,012,700 | 45,012,700 |

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

| | | |
|-----------------------------------|-----------|-----------|
| Accounts Receivable | 109,094 | |
| Accrued Interest Receivable | 64,720 | |
| Due from Other Governments | 1,061,795 | |
| Municipal Income Taxes Receivable | 1,309,185 | |
| Property Taxes Receivable | 102,183 | |
| Special Assessments Receivable | 883,137 | |
| | 3,530,114 | 3,530,114 |

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (1,155)

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 95,954

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

| | | |
|--|--------------|--------------|
| Accrued Interest Payable | (54,308) | |
| Notes Payable | (3,500,000) | |
| General Obligation Bonds Payable | (7,328,132) | |
| OWDA Loans Payable | (19,276,341) | |
| Compensated Absences Payable | (1,586,618) | |
| Compensated Absences Payable - Internal Service Fund | 50,476 | |
| Capital Leases Payable | (97,859) | |
| | (31,792,782) | (31,792,782) |

An internal service fund is used by management to charge the cost of engineering services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. 71,542

Net Assets of Governmental Activities \$31,290,496

See Accompanying Notes to the Basic Financial Statements

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

| | General | Playground and Recreation | Sewer and Water Improvement | Street Repair | Other Governmental | Total Governmental Funds |
|---|--------------------|---------------------------------|-----------------------------------|--------------------|-----------------------|--------------------------------|
| <u>Revenues</u> | | | | | | |
| Property Taxes | \$1,629,720 | \$633,781 | | | | \$2,263,501 |
| Municipal Income Taxes | 6,028,705 | 401,863 | \$4,019,084 | \$602,869 | \$4,563,387 | 15,615,908 |
| Other Local Taxes | 2,496,539 | | | | 172,038 | 2,668,577 |
| Special Assessments | | | | | 45,713 | 45,713 |
| Charges for Services | 1,732,034 | 777,916 | | | 181,095 | 2,691,045 |
| Fees, Licenses, and Permits | 32,679 | | 14,745 | | 11,723 | 59,147 |
| Fines and Forfeitures | 712,290 | | | | 259,470 | 971,760 |
| Intergovernmental | 2,144,455 | 91,840 | 112,933 | 511,567 | 2,382,699 | 5,243,494 |
| Interest | 256,203 | | | | 44,192 | 300,395 |
| Other | 25,043 | 139,145 | 11,914 | 10,135 | 64,282 | 250,519 |
| Total Revenues | 15,057,668 | 2,044,545 | 4,158,676 | 1,124,571 | 7,724,599 | 30,110,059 |
| <u>Expenditures</u> | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | | | | | | |
| Police | 4,021,215 | | | | 1,420,428 | 5,441,643 |
| Fire | 2,827,560 | | | | 2,448,689 | 5,276,249 |
| Ambulance | 121,113 | | | | | 121,113 |
| Public Health | 64,768 | | | | 15,010 | 79,778 |
| Leisure Time Activities | | 1,852,446 | | | | 1,852,446 |
| Community Environment | 622,741 | | | | 276,931 | 899,672 |
| Basic Utility Services | 601,161 | | | | | 601,161 |
| Transportation | 1,925,650 | | | 2,542,562 | 2,351,169 | 6,819,381 |
| General Government | | | | | | |
| Court | 1,208,412 | | | | 167,488 | 1,375,900 |
| Other | 2,880,897 | 21,498 | 169,078 | 32,279 | 53,841 | 3,157,593 |
| Capital Outlay | | | 2,448,891 | | 671,930 | 3,120,821 |
| Debt Service | | | | | | |
| Principal Retirement | 60,000 | | 1,663,597 | 2,200,000 | 671,745 | 4,595,342 |
| Interest and Fiscal Charges | 13,260 | | 643,304 | 27,500 | 341,753 | 1,025,817 |
| Total Expenditures | 14,346,777 | 1,873,944 | 4,924,870 | 4,802,341 | 8,418,984 | 34,366,916 |
| Excess of Revenues Over (Under) Expenditures | 710,891 | 170,601 | (766,194) | (3,677,770) | (694,385) | (4,256,857) |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Bond Anticipation Notes Issued | | | | 3,500,000 | | 3,500,000 |
| Inception of Capital Lease | | | | | 179,604 | 179,604 |
| OWDA Loans Issued | | | 1,129,438 | | | 1,129,438 |
| Transfers In | | | | | 1,418,572 | 1,418,572 |
| Transfers Out | (200,262) | (12,996) | (130,430) | (192,010) | (882,874) | (1,418,572) |
| Total Other Financing Sources (Uses) | (200,262) | (12,996) | 999,008 | 3,307,990 | 715,302 | 4,809,042 |
| Change in Fund Balance | 510,629 | 157,605 | 232,814 | (369,780) | 20,917 | 552,185 |
| Fund Balance Beginning of Year | 3,055,825 | 251,429 | 3,224,072 | 1,681,339 | 5,609,273 | 13,821,938 |
| Fund Balance End of Year | <u>\$3,566,454</u> | <u>\$409,034</u> | <u>\$3,456,886</u> | <u>\$1,311,559</u> | <u>\$5,630,190</u> | <u>\$14,374,123</u> |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2011

Change in Fund Balance - Total Governmental Funds \$552,185

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on 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 year.

| | | |
|--|--------------|-----------|
| Capital Outlay | 4,328,330 | |
| Capital Outlay - Internal Service Fund | (8,016) | |
| Capital Contributions | 53,860 | |
| Depreciation | (2,947,434) | |
| Depreciation - Internal Service Fund | <u>4,203</u> | |
| | | 1,430,943 |

The cost of the capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (3,909,090)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

| | | |
|------------------------|-----------------|-----------|
| Property Taxes | 11,354 | |
| Municipal Income Taxes | (354,934) | |
| Other Local Taxes | (114,017) | |
| Special Assessments | (40,766) | |
| Charges for Services | 55,350 | |
| Fines and Forfeitures | (9,134) | |
| Intergovernmental | (171,709) | |
| Interest | <u>(52,644)</u> | |
| | | (676,500) |

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

| | | |
|----------------------------------|---------------|-----------|
| Notes Payable | 2,200,000 | |
| General Obligation Bonds Payable | 650,000 | |
| OWDA Loans Payable | 1,663,597 | |
| Capital Leases Payable | <u>81,745</u> | |
| | | 4,595,342 |

Note and OWDA loan proceeds are reported as other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets.

| | | |
|--------------------------------|--------------------|-------------|
| Bond Anticipation Notes Issued | (3,500,000) | |
| OWDA Loans Issued | <u>(1,129,438)</u> | |
| | | (4,629,438) |

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net assets. (179,604)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

| | | |
|--------------------------|--------------|-------|
| Accrued Interest Payable | (4,095) | |
| Amortization of Premium | <u>5,726</u> | |
| | | 1,631 |

Issuance costs are reported as an expenditure when paid in governmental funds but are amortized over the life of the debt on the statement of activities. (8,064)

(continued)

City of Bowling Green
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2011
 (continued)

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

| | | |
|--|---------------|-----------|
| Compensated Absences Payable | 99,682 | |
| Compensated Absences Payable - Internal Service Fund | <u>50,476</u> | \$150,158 |

The internal service fund used by management to charge the cost of engineering services to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

(76,792)

The internal service fund used by management to charge the cost of engineering services to an external agency is reported on the statement of activities. The change for the external portion is reported for the year.

(9,481)

Change in Net Assets of Governmental Activities

(\$2,758,710)

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|---|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Property Taxes | \$1,785,128 | \$1,825,787 | \$1,629,720 | (\$196,067) |
| Municipal Income Taxes | 5,534,290 | 5,567,264 | 6,051,928 | 484,664 |
| Other Local Taxes | 448,000 | 2,268,000 | 2,382,517 | 114,517 |
| Charges for Services | 3,496,850 | 1,676,850 | 1,729,459 | 52,609 |
| Fees, Licenses, and Permits | 20,350 | 20,350 | 32,879 | 12,529 |
| Fines and Forfeitures | 771,000 | 771,000 | 723,163 | (47,837) |
| Intergovernmental | 2,065,333 | 2,087,833 | 2,058,099 | (29,734) |
| Interest | 235,000 | 235,000 | 229,475 | (5,525) |
| Other | 92,056 | 92,056 | 21,788 | (70,268) |
| Total Revenues | 14,448,007 | 14,544,140 | 14,859,028 | 314,888 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Police | 4,062,901 | 4,119,549 | 4,016,518 | 103,031 |
| Fire | 2,453,738 | 2,878,694 | 2,874,502 | 4,192 |
| Ambulance | 123,660 | 123,660 | 121,782 | 1,878 |
| Public Health | 69,602 | 69,775 | 64,619 | 5,156 |
| Community Environment | 673,318 | 700,008 | 617,645 | 82,363 |
| Basic Utility Services | 610,022 | 616,925 | 615,499 | 1,426 |
| Transportation | 2,249,015 | 2,286,199 | 2,076,704 | 209,495 |
| General Government | | | | |
| Court | 1,449,086 | 1,314,270 | 1,214,025 | 100,245 |
| Other | 3,881,836 | 3,618,620 | 3,052,235 | 566,385 |
| Debt Service | | | | |
| Principal Retirement | 60,000 | 60,000 | 60,000 | |
| Interest and Fiscal Charges | 13,260 | 13,260 | 13,260 | |
| Total Expenditures | 15,646,438 | 15,800,960 | 14,726,789 | 1,074,171 |
| Excess of Revenues Over (Under) Expenditures | (1,198,431) | (1,256,820) | 132,239 | 1,389,059 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Other Financing Sources | | | 3,255 | 3,255 |
| Advances In | | 250,000 | 250,000 | |
| Advances Out | | (250,000) | (250,000) | |
| Transfers In | 475,416 | 501,782 | 57,950 | (443,832) |
| Transfers Out | | (5,114) | (4,537) | 577 |
| Total Other Financing Sources (Uses) | 475,416 | 496,668 | 56,668 | (440,000) |
| Change in Fund Balance | (723,015) | (760,152) | 188,907 | 949,059 |
| Fund Balance Beginning of Year | 2,688,608 | 2,688,608 | 2,688,608 | |
| Prior Year Encumbrances Appropriated | 202,159 | 202,159 | 202,159 | |
| Fund Balance End of Year | \$2,167,752 | \$2,130,615 | \$3,079,674 | \$949,059 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Playground and Recreation Fund
For the Year Ended December 31, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|---|------------------|------------------|------------------|--|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Property Taxes | \$610,000 | \$709,216 | \$633,781 | (\$75,435) |
| Municipal Income Taxes | 351,269 | 370,780 | 403,410 | 32,630 |
| Charges for Services | 715,250 | 715,250 | 778,090 | 62,840 |
| Intergovernmental | 155,698 | 155,698 | 91,840 | (63,858) |
| Other | 107,711 | 107,711 | 154,615 | 46,904 |
| Total Revenues | 1,939,928 | 2,058,655 | 2,061,736 | 3,081 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Leisure Time Activities | 2,155,229 | 2,117,479 | 1,999,171 | 118,308 |
| General Government | | | | |
| Other | 17,868 | 21,501 | 21,114 | 387 |
| Total Expenditures | 2,173,097 | 2,138,980 | 2,020,285 | 118,695 |
| Excess of Revenues Over (Under) Expenditures | (233,169) | (80,325) | 41,451 | 121,776 |
| <u>Other Financing Uses</u> | | | | |
| Transfers Out | | (65,784) | (57,950) | 7,834 |
| Change in Fund Balance | (233,169) | (146,109) | (16,499) | 129,610 |
| Fund Balance Beginning of Year | 399,153 | 399,153 | 399,153 | |
| Prior Year Encumbrances Appropriated | 133,210 | 133,210 | 133,210 | |
| Fund Balance End of Year | \$299,194 | \$386,254 | \$515,864 | \$129,610 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

| | <u>Business-Type Activities</u> | | | Total Enterprise Funds | <u>Governmental Activity</u> |
|---|---------------------------------|---------------------|---------------------|------------------------------|--------------------------------------|
| | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | | <u>Internal Service Fund</u> |
| <u>Assets</u> | | | | | |
| <u>Current Assets</u> | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$14,796,392 | \$4,175,044 | \$2,558,143 | \$21,529,579 | \$90,742 |
| Cash and Cash Equivalents with Fiscal Agents | 1,932,007 | | | 1,932,007 | |
| Accounts Receivable | 4,816,643 | 419,996 | 428,610 | 5,665,249 | 2,247 |
| Due from Other Governments | 5,200 | 96 | 2,313 | 7,609 | |
| Other Local Taxes Receivable | 127,146 | | | 127,146 | |
| Interfund Receivable | 19,204 | 7,746 | 30,251 | 57,201 | 26,146 |
| Prepaid Items | 22,759 | 22,758 | 22,758 | 68,275 | |
| Materials and Supplies Inventory | 1,022,272 | 141,336 | 102,576 | 1,266,184 | |
| Total Current Assets | 22,741,623 | 4,766,976 | 3,144,651 | 30,653,250 | 119,135 |
| <u>Non-Current Assets</u> | | | | | |
| Recovered Purchased Power Receivable | 3,483,750 | | | 3,483,750 | |
| Unamortized Bond Issuance Cost | 4,853 | 11,004 | 38,888 | 54,745 | |
| Nondepreciable Capital Assets | 2,769,101 | 17,096,864 | 2,989,514 | 22,855,479 | |
| Depreciable Capital Assets, Net | 15,398,990 | 26,342,142 | 42,862,596 | 84,603,728 | 19,107 |
| Investment in Joint Venture | 10,744,563 | | | 10,744,563 | |
| Total Non-Current Assets | 32,401,257 | 43,450,010 | 45,890,998 | 121,742,265 | 19,107 |
| Total Assets | 55,142,880 | 48,216,986 | 49,035,649 | 152,395,515 | 138,242 |
| <u>Liabilities</u> | | | | | |
| <u>Current Liabilities</u> | | | | | |
| Accrued Wages Payable | 44,896 | 26,207 | 28,796 | 99,899 | 5,161 |
| Accounts Payable | 2,412,713 | 76,332 | 76,537 | 2,565,582 | 1,162 |
| Contracts Payable | 32,714 | 366 | | 33,080 | |
| Due to Other Governments | 100,387 | 50,850 | 53,114 | 204,351 | 9,648 |
| Interfund Payable | 123,168 | 6,112 | 18,749 | 148,029 | 253 |
| Accrued Interest Payable | 2,486 | 2,921 | 10,320 | 15,727 | |
| Notes Payable | 985,000 | | | 985,000 | |
| General Obligation Bonds Payable | 65,000 | 55,000 | 190,000 | 310,000 | |
| Compensated Absences Payable | 220,775 | 72,988 | 94,278 | 388,041 | 15,626 |
| AMP Ohio Payable | 985,628 | | | 985,628 | |
| Total Current Liabilities | 4,972,767 | 290,776 | 471,794 | 5,735,337 | 31,850 |
| <u>Non-Current Liabilities</u> | | | | | |
| General Obligation Bonds Payable | 293,446 | 757,812 | 2,682,612 | 3,733,870 | |
| Compensated Absences Payable | 277,538 | 161,196 | 151,731 | 590,465 | 34,850 |
| AMP Ohio Payable | 7,382,951 | | | 7,382,951 | |
| Total Non-Current Liabilities | 7,953,935 | 919,008 | 2,834,343 | 11,707,286 | 34,850 |
| Total Liabilities | 12,926,702 | 1,209,784 | 3,306,137 | 17,442,623 | 66,700 |
| <u>Net Assets</u> | | | | | |
| Invested in Capital Assets, Net of Related Debt | 16,829,498 | 42,637,198 | 43,018,386 | 102,485,082 | 19,107 |
| Unrestricted | 25,386,680 | 4,370,004 | 2,711,126 | 32,467,810 | 52,435 |
| Total Net Assets | \$42,216,178 | \$47,007,202 | \$45,729,512 | 134,952,892 | \$71,542 |
| Net assets reported for business-type activities on the statement of net assets are different because they include a proportionate share of the balance of the internal service fund. | | | | 1,155 | |
| Net assets of business-type activities | | | | <u>\$134,954,047</u> | |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenses,
and Change in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activity |
|--|--------------------------|---------------------|---------------------|------------------------------|-----------------------------|
| | Electric | Water | Sewer | | Internal Service Fund |
| <u>Operating Revenues</u> | | | | | |
| Charges for Services | \$41,476,927 | \$3,917,173 | \$3,685,822 | \$49,079,922 | \$344,723 |
| Other | 785,874 | 50,023 | 316,350 | 1,152,247 | 760 |
| Total Operating Revenues | <u>42,262,801</u> | <u>3,967,196</u> | <u>4,002,172</u> | <u>50,232,169</u> | <u>345,483</u> |
| <u>Operating Expenses</u> | | | | | |
| Purchased Power | 28,615,689 | | | 28,615,689 | |
| Plant Operation | | 1,994,589 | 1,744,489 | 3,739,078 | |
| Distribution Operation | 2,939,481 | 804,570 | 769,930 | 4,513,981 | |
| Administrative and General | 1,592,069 | 575,604 | 1,005,320 | 3,172,993 | |
| Information and Technology | 135,857 | 45,367 | 45,253 | 226,477 | |
| Depreciation | 1,218,575 | 886,334 | 1,344,481 | 3,449,390 | 4,203 |
| Other | | | | | 436,086 |
| Total Operating Expenses | <u>34,501,671</u> | <u>4,306,464</u> | <u>4,909,473</u> | <u>43,717,608</u> | <u>440,289</u> |
| Operating Income (Loss) | <u>7,761,130</u> | <u>(339,268)</u> | <u>(907,301)</u> | <u>6,514,561</u> | <u>(94,806)</u> |
| <u>Non-Operating Revenues (Expenses)</u> | | | | | |
| Excise Taxes | 1,616,744 | | | 1,616,744 | |
| Excise Taxes Expense | (1,616,744) | | | (1,616,744) | |
| Interest Revenue | 21,655 | 431 | 683 | 22,769 | |
| Interest Expense | (37,515) | (39,782) | (130,507) | (207,804) | |
| Investment in Joint Venture | (355,742) | | | (355,742) | |
| Total Non-Operating Revenues (Expenses) | <u>(371,602)</u> | <u>(39,351)</u> | <u>(129,824)</u> | <u>(540,777)</u> | |
| Income (Loss) before Contributions | 7,389,528 | (378,619) | (1,037,125) | 5,973,784 | (94,806) |
| Capital Contributions | | 2,462,595 | 492,063 | 2,954,658 | |
| Change in Net Assets | 7,389,528 | 2,083,976 | (545,062) | 8,928,442 | (94,806) |
| Net Assets Beginning of Year | <u>34,826,650</u> | <u>44,923,226</u> | <u>46,274,574</u> | | <u>166,348</u> |
| Net Assets End of Year | <u>\$42,216,178</u> | <u>\$47,007,202</u> | <u>\$45,729,512</u> | | <u>\$71,542</u> |
| The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund. | | | | <u>(8,533)</u> | |
| Change in net assets of business-type activities | | | | <u>\$8,919,909</u> | |

See Accompanying Notes to the Basic Financial Statements

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

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activity |
|---|--------------------------|--------------------|--------------------|------------------------------|-----------------------------|
| | Electric | Water | Sewer | | Internal Service Fund |
| Increases (Decreases) in Cash and Cash Equivalents | | | | | |
| <u>Cash Flows from Operating Activities</u> | | | | | |
| Cash Received from Customers | \$41,757,636 | \$3,884,127 | \$3,626,061 | \$49,267,824 | |
| Cash Received from Transactions with Other Funds | | | | | \$343,517 |
| Cash Payments for Purchased Power | (34,000,700) | | | (34,000,700) | |
| Cash Payments for Plant Operation | | (1,991,166) | (1,743,728) | (3,734,894) | |
| Cash Payments for Distribution Operation | (2,966,939) | (841,803) | (795,458) | (4,604,200) | |
| Cash Payments for Administrative and General | (1,613,476) | (591,889) | (1,014,331) | (3,219,696) | |
| Cash Payments for Information and Technology | (131,513) | (43,687) | (43,572) | (218,772) | |
| Cash Received from Other Revenues | 785,828 | 50,023 | 316,350 | 1,152,201 | 760 |
| Cash Payments for Other Expenses | | | | | (387,668) |
| Net Cash Provided by (Used for) Operating Activities | 3,830,836 | 465,605 | 345,322 | 4,641,763 | (43,391) |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | | | |
| Cash Received from Excise Taxes | 1,616,744 | | | 1,616,744 | |
| Cash Payments for Excise Tax Distribution | (1,616,744) | | | (1,616,744) | |
| Net Cash Provided by Noncapital Financing Activities | | | | | |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | | | |
| Principal Paid on Bond Anticipation Notes | (2,475,000) | | | (2,475,000) | |
| Principal Paid on General Obligation Bonds | (65,000) | (55,000) | (185,000) | (305,000) | |
| Principal Paid on Capital Leases | | (55,538) | | (55,538) | |
| Interest Paid on Bond Anticipation Notes | (31,788) | | | (31,788) | |
| Interest Paid on General Obligation Bonds | (16,313) | (36,975) | (130,313) | (183,601) | |
| Interest Paid on Capital Leases | | (2,749) | | (2,749) | |
| Bond Anticipation Notes Issued | 985,000 | | | 985,000 | |
| Acquisition of Capital Assets | (2,045,489) | (126,617) | (29,014) | (2,201,120) | (8,016) |
| Net Cash Used for Capital and Related Financing Activities | (3,648,590) | (276,879) | (344,327) | (4,269,796) | (8,016) |
| <u>Cash Flows from Investing Activities</u> | | | | | |
| Interest | 21,655 | 431 | 683 | 22,769 | |
| Net Increase (Decrease) in Cash and Cash Equivalents | 203,901 | 189,157 | 1,678 | 394,736 | (51,407) |
| Cash and Cash Equivalents Beginning of Year | 16,524,498 | 3,985,887 | 2,556,465 | 23,066,850 | 142,149 |
| Cash and Cash Equivalents End of Year | \$16,728,399 | \$4,175,044 | \$2,558,143 | \$23,461,586 | \$90,742 |

(continued)

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011
(continued)

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activity |
|---|--------------------------|------------------|------------------|------------------------------|-----------------------------|
| | Electric | Water | Sewer | | Internal Service Fund |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u> | | | | | |
| Operating Income (Loss) | \$7,761,130 | (\$339,268) | (\$907,301) | \$6,514,561 | (\$94,806) |
| <u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u> | | | | | |
| Depreciation | 1,218,575 | 886,334 | 1,344,481 | 3,449,390 | 4,203 |
| Changes in Assets and Liabilities: | | | | | |
| (Increase) Decrease in Accounts Receivable | 293,556 | (34,845) | (54,617) | 204,094 | (1,214) |
| (Increase) Decrease in Due from Other Governments | (5,150) | 24 | (1,278) | (6,404) | |
| Decrease in Other Local Taxes Receivable | 5,009 | | | 5,009 | |
| (Increase) Decrease in Interfund Receivable | (7,860) | 1,783 | (3,863) | (9,940) | 8 |
| Decrease in Prepaid Items | 3,851 | 3,852 | 3,852 | 11,555 | |
| (Increase) Decrease in Materials and Supplies Inventory | 19,190 | 2,083 | (1,309) | 19,964 | |
| Increase in Recovered Purchased Power Receivable | (3,483,750) | | | (3,483,750) | |
| Decrease in Accrued Wages Payable | (30,359) | (25,066) | (21,108) | (76,533) | (4,288) |
| Increase (Decrease) in Accounts Payable | 96,898 | (2,963) | 17,069 | 111,004 | 805 |
| Increase in Contracts Payable | 32,714 | 366 | | 33,080 | |
| Decrease in Recovered Purchased Power Payable | (1,954,465) | | | (1,954,465) | |
| Increase in Due to Other Governments | 15,927 | 7,214 | 9,051 | 32,192 | 1,397 |
| Increase (Decrease) in Interfund Payable | (3,306) | 292 | 8,237 | 5,223 | 28 |
| Increase (Decrease) in Compensated Absences Payable | 24,544 | (34,201) | (47,892) | (57,549) | 50,476 |
| Decrease in AMP-Ohio Payable | (155,668) | | | (155,668) | |
| Net Cash Provided by (Used for) Operating Activities | <u>\$3,830,836</u> | <u>\$465,605</u> | <u>\$345,322</u> | <u>\$4,641,763</u> | <u>(\$43,391)</u> |

Non-Cash Capital Financing Activities:

The Water and Sewer enterprise funds received capital assets that were constructed in the City's governmental funds, in the amount of \$2,462,595 and \$492,063, respectively.

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2011

Assets

| | |
|--|-------------------------|
| Cash and Cash Equivalents in Segregated Accounts | \$281,082 |
| Special Assessments Receivable | <u>298,069</u> |
| Total Assets | <u><u>\$579,151</u></u> |

Liabilities

| | |
|----------------------|-------------------------|
| Undistributed Assets | <u><u>\$579,151</u></u> |
|----------------------|-------------------------|

See Accompanying Notes to the Basic Financial Statements

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 - DESCRIPTION OF THE CITY OF BOWLING GREEN AND THE REPORTING ENTITY

A. The City

The City of Bowling Green is a charter municipal corporation founded on November 9, 1855, with the charter adopted by the electors on October 31, 1972. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws of Ohio.

The City operates under a Mayor/Administrator/Council form of government. Services provided include police, fire, street maintenance, planning and zoning, parks and recreation, electric, water, sewer, and general administrative services.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Bowling Green consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Bowling Green, this includes all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Bowling Green in 2011.

The City participates in two insurance pools, three joint ventures, and a jointly governed organization. These organizations are the Buckeye Ohio Risk Management Agency (BORMA), the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5), the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6), and the Bowling Green Central Business Special Improvement District, Inc. (SID). These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

The financial statements of the City of Bowling Green have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned that is required to be used to support 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 governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are reported in three categories; governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources, except those required to be 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Playground and Recreation Fund - The Playground and Recreation Fund accounts for charges for services, property taxes, and income taxes restricted to maintaining parks and playgrounds and to providing recreation activities for the citizens of the City.

Sewer and Water Improvement Fund - The Sewer and Water Improvement Fund accounts for municipal income taxes and debt proceeds restricted for various sewer and water improvements.

Street Repair Fund - The Street Repair Fund accounts for municipal income taxes restricted for major street repair of primary and secondary streets within the City.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows. The City reports two types of proprietary funds, enterprise and internal service:

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Electric Fund - The Electric Fund accounts for the provision of electricity to residential and commercial users within the City.

Water Fund - The Water Fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer service to residential and commercial users within the City.

Internal Service Fund - The internal service fund accounts for engineering services that are provided to the other departments of the City or to other governmental units.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2011. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for special assessments levied and paid to the Bowling Green Central Business Special Improvement District, Inc., monies collected from a fundraising project for the Bowling Green Central Business Special Improvement District, Inc., and fines and fees collected by the Bowling Green Municipal Court (excluding those due to the City of Bowling Green).

C. Measurement Focus

Government-Wide Financial Statements

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and change in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days after year end.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. 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 specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2011, but which were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within departments of the City are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Cash and cash equivalents that are held separately for the City by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agents".

Cash and cash equivalents that are held separately for the City by fiscal agents (AMP-Ohio) are recorded as "Cash and Cash Equivalents with Fiscal Agents".

During 2011, the City invested in nonnegotiable certificates of deposit, commercial paper, and federal agency securities. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2011 was \$256,203, which includes \$230,982 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed when used. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Unclaimed monies that have a legal restriction on their use are reported as restricted. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted.

J. Unamortized Bond Issuance Costs/Bond Premiums

Issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds. Capital assets used by the internal service fund are reported in both the governmental activities column on the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of fifteen thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|---|---|--|
| Land Improvements | 25 years | N/A |
| Buildings | 15-50 years | 15-50 years |
| Equipment | 1-20 years | 1-20 years |
| Vehicles | 3-10 years | 3-10 years |
| Streets | 15-40 years | N/A |
| Electric, Water, Sewer, and Storm Sewer Lines | N/A | 15-50 years |

L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method for governmental fund types and the vesting method for proprietary fund types. For the governmental fund types, an accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. For proprietary fund types, the liability includes the employees who are eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

The entire compensated absences liability is reported on the government-wide financial statements.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, general obligation bonds, OWDA loans, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance of state highways, various police department related activities, and cemetery maintenance. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of interfund receivables.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or by a City official delegated that authority by ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

Q. Operating Revenues and Expenses

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 electric, water, and sewer services, and charges for engineering services in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

R. Capital Contributions

Capital contributions arise from contributions from other funds and outside contributions of capital assets.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

T. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and change in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund and the Playground and Recreation special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

Change in Fund Balance

| | General | Playground and Recreation |
|--|-------------|---------------------------------|
| GAAP Basis | \$510,629 | \$157,605 |
| <u>Increases (Decreases) Due To</u> | | |
| Revenue Accruals: | | |
| Accrued 2010, Received in Cash 2011 | 1,063,775 | 53,801 |
| Accrued 2011, Not Yet Received in Cash | (1,240,948) | (36,784) |
| Expenditure Accruals: | | |
| Accrued 2010, Paid in Cash 2011 | (1,178,266) | (165,346) |
| Accrued 2011, Not Yet Paid in Cash | 1,063,662 | 71,430 |
| Cash Adjustments: | | |
| Unrecorded Activity 2010 | \$25,870 | \$4,461 |
| Unrecorded Activity 2011 | (44,082) | (4,287) |
| Prepaid Items | 11,553 | |
| Transfers In | 57,950 | |
| Transfers Out | 195,725 | (44,954) |
| Advances In | 250,000 | |
| Advances Out | (250,000) | |
| Encumbrances Outstanding at Year End (Budget Basis) | (276,961) | (52,425) |
| Budget Basis | \$188,907 | (\$16,499) |

NOTE 4 - DEPOSITS AND INVESTMENTS

The City follows State statutes regarding its deposit and investment activity. State statutes classify monies held by the City into three categories.

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

Inactive deposits are public deposits the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$5,494,683 of the City's bank balance of \$30,476,904 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

At December 31, 2011, the City had the following investments:

| | Fair Value | Maturity |
|--------------------------------|-------------|----------|
| CitiGroup Commercial Paper | \$2,998,050 | 3/9/12 |
| GE Capital Commercial Paper | 997,520 | 8/10/12 |
| Federal Farm Credit Bank Notes | 1,000,230 | 9/6/13 |
| Federal Home Loan Bank Notes | 1,000,140 | 10/25/13 |
| | \$5,995,940 | |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Finance Director from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within three years from the date of investment unless they are matched to a specific obligation or debt of the City.

The CitiGroup Commercial Paper carries a rating of P-2 by Moody's, while the GE Capital Commercial Paper carries a rating of A1+ by Standard and Poor's. The Federal Farm Credit Bank Notes and the Federal Home Loan Bank Notes carry a rating of AAA by Moody's. The City has no investment policy dealing with credit risk beyond the requirements of State statute.

The following table indicates the percentage of each investment to the City's total portfolio.

| | Fair Value | Percentage of Portfolio |
|--------------------------------|-------------|-------------------------|
| Commercial Paper | \$3,995,570 | 66.64% |
| Federal Farm Credit Bank Notes | 1,000,230 | 16.68 |
| Federal Farm Credit Bank Notes | 1,000,140 | 16.68 |

NOTE 5 - RECEIVABLES

Receivables at December 31, 2011, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; notes; special assessments, and recovered purchased power. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$300,064, will not be received within one year. Special assessments receivable, in the amount of \$616,718, will not be received within one year. At December 31, 2011, the amount of delinquent special assessments was \$30,323.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 5 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|-------------------------------------|-------------|
| Governmental Activities | |
| Major Funds | |
| General Fund | |
| Homestead and Rollback | \$73,613 |
| United States Department of Housing | 497 |
| DARE Grant | 10,776 |
| Bullet Proof Vest Grant | 21,551 |
| Charges for Services | 84,709 |
| Fines and Forfeitures | 39,945 |
| Local Government | 453,367 |
| Estate Tax | 265,276 |
| Other | 548 |
| Total General Fund | 950,282 |
| Playground and Recreation | |
| Homestead and Rollback | 28,627 |
| Street Repair | |
| Ohio Public Works Commission | 120,915 |
| Total Major Funds | 1,099,824 |
| Nonmajor Funds | |
| Street Maintenance and Repair | |
| Ohio Department of Transportation | 24,480 |
| Gasoline Tax | 312,473 |
| Auto Registration | 82,010 |
| Motor Vehicle License Tax | 21,565 |
| Total Street Maintenance and Repair | 440,528 |
| State Highway | |
| Gasoline Tax | 25,335 |
| Auto Registration | 6,650 |
| Total State Highway | 31,985 |
| ODOT Transportation | |
| Ohio Department of Transportation | 24,976 |
| | (continued) |

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 5 - RECEIVABLES (continued)

| | Amount |
|--|-------------|
| Governmental Activities (continued) | |
| Law Enforcement Drug | |
| Fines and Forfeitures | \$2,648 |
| Indigent Drivers Alcohol | |
| Fines and Forfeitures | 1,685 |
| Enforcement and Education | |
| Fines and Forfeitures | 215 |
| Interlock and Alcohol Monitoring | |
| Fines and Forfeitures | 1,255 |
| Municipal Court Special Projects | |
| Charges for Services | 1,130 |
| Fines and Forfeitures | 10,454 |
| Total Municipal Court Special Projects | 11,584 |
| Municipal Probation Services | |
| Charges for Services | 6,371 |
| Municipal Court Computerization | |
| Charges for Services | 339 |
| Total Nonmajor Funds | 521,586 |
| Total Governmental Activities | \$1,621,410 |
| Business Type Activities | |
| Major Funds | |
| Electric | |
| Charges for Services | \$5,200 |
| Water | |
| Charges for Services | 96 |
| Sewer | |
| Charges for Services | 2,313 |
| Total Business Type Activities | \$7,609 |

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 6 - NOTES RECEIVABLE

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant and Home Investment Partnership Program. The notes have an annual interest rate of 2.16 to 5.5 percent and are to be repaid over periods ranging from three to twenty years. A summary of the changes in notes receivable during 2011 follows:

| | Balance December 31, 2010 | New Loans | Repayments | Balance December 31, 2011 | Due Within One Year |
|------------------------|---------------------------------|------------------|------------------|---------------------------------|------------------------|
| Special Revenue Fund | | | | | |
| CDBG | | | | | |
| Revolving Loan Program | \$447,209 | \$141,789 | \$169,766 | \$419,232 | \$155,723 |
| Home Program | 78,831 | | 13,108 | 65,723 | 29,168 |
| Total Notes Receivable | <u>\$526,040</u> | <u>\$141,789</u> | <u>\$182,874</u> | <u>\$484,955</u> | <u>\$184,891</u> |

NOTE 7 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 2 percent on all income 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 50 percent of the tax paid to another municipality, not to exceed 50 percent of the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

The City, by ordinance, allocates 1.5 percent of income taxes as follows: to the General Fund (.75); Playground and Recreation (.05) special revenue fund; and the Capital Improvement (.13), Sewer and Water Capital Improvement (.50), and Street Repair Capital Improvement (.07) capital projects funds. The remaining .5 percent is split between the Police Levy (.14) and Fire Levy (.36) special revenue funds.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2009, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 8 - PROPERTY TAXES (continued)

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

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2011, and for which there was an enforceable legal claim. The entire receivable has been deferred since current taxes were not levied to finance 2011 operations and collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while the remainder has been deferred.

The full tax rate for all City operations for the year ended December 31, 2011, was \$5.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

| Category | Assessed Value |
|--------------------------|-------------------|
| Real Estate | |
| Agricultural/Residential | \$301,800,750 |
| Commercial/Industrial | 195,436,290 |
| Public Utility Real | 17,920 |
| Public Utility Personal | 1,456,470 |
| Total | \$498,711,430 |

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

| | Balance December 31, 2010 | Additions | Reductions | Balance December 31, 2011 |
|-------------------------------------|---------------------------------|-------------|-------------|---------------------------------|
| Governmental Activities: | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$3,711,979 | | (\$418,800) | \$3,293,179 |
| Construction in Progress | 1,068,085 | \$2,475,708 | (214,703) | 3,329,090 |
| Total Nondepreciable Capital Assets | \$4,780,064 | \$2,475,708 | (\$633,503) | \$6,622,269 |

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 9 - CAPITAL ASSETS (continued)

| | Balance December 31, 2010 | Additions | Reductions | Balance December 31, 2011 |
|---|---------------------------------|--------------------|----------------------|---------------------------------|
| Governmental Activities (continued): | | | | |
| Depreciable Capital Assets | | | | |
| Land Improvements | \$2,548,719 | | | \$2,548,719 |
| Buildings | 22,240,336 | \$266,284 | (\$3,548,100) | 18,958,520 |
| Equipment | 2,362,120 | 140,669 | | 2,502,789 |
| Vehicles | 8,013,928 | 489,752 | (210,791) | 8,292,889 |
| Streets | 52,799,359 | 1,224,480 | | 54,023,839 |
| Total Depreciable Capital Assets | <u>87,964,462</u> | <u>2,121,185</u> | <u>(3,758,891)</u> | <u>86,326,756</u> |
| Less Accumulated Depreciation for | | | | |
| Land Improvements | (1,243,940) | (102,700) | | (1,346,640) |
| Buildings | (7,086,309) | (395,098) | 70,962 | (7,410,445) |
| Equipment | (1,837,694) | (125,060) | | (1,962,754) |
| Vehicles | (5,299,295) | (605,263) | 197,639 | (5,706,919) |
| Streets | (29,771,147) | (1,719,313) | | (31,490,460) |
| Total Accumulated Depreciation | <u>(45,238,385)</u> | <u>(2,947,434)</u> | <u>268,601</u> | <u>(47,917,218)</u> |
| Total Depreciable Capital Assets, Net | <u>42,726,077</u> | <u>(826,249)</u> | <u>(3,490,290)</u> | <u>38,409,538</u> |
| Governmental Activities Capital Assets, Net | <u>\$47,506,141</u> | <u>\$1,649,459</u> | <u>(\$4,123,793)</u> | <u>\$45,031,807</u> |

During 2011, governmental activities accepted a contribution of capital assets from outside sources with a fair value of \$53,860.

| | Balance December 31, 2010 | Additions | Reductions | Balance December 31, 2011 |
|---|---------------------------------|--------------------|--------------------|---------------------------------|
| Business-Type Activities: | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$3,351,675 | \$75,912 | | \$3,427,587 |
| Construction in Progress | 19,378,621 | 4,643,449 | (\$4,594,178) | 19,427,892 |
| Total Nondepreciable Capital Assets | <u>22,730,296</u> | <u>4,719,361</u> | <u>(4,594,178)</u> | <u>22,855,479</u> |
| Depreciable Capital Assets | | | | |
| Buildings | 63,041,909 | 236,852 | | 63,278,761 |
| Equipment | 2,262,620 | 8,467 | | 2,271,087 |
| Vehicles | 5,164,416 | 79,214 | (15,215) | 5,228,415 |
| Electric, Water, Sewer, and Storm Sewer Lines | 90,980,458 | 4,706,062 | | 95,686,520 |
| Total Depreciable Capital Assets | <u>\$161,449,403</u> | <u>\$5,030,595</u> | <u>(\$15,215)</u> | <u>\$166,464,783</u> |

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 9 - CAPITAL ASSETS (continued)

| | Balance December 31, 2010 | Additions | Reductions | Balance December 31, 2011 |
|--|---------------------------------|--------------------|----------------------|---------------------------------|
| Business-Type Activities (continued): | | | | |
| Less Accumulated Depreciation for | | | | |
| Buildings | (\$31,094,936) | (\$1,247,071) | | (\$32,342,007) |
| Equipment | (2,155,267) | (34,455) | | (2,189,722) |
| Vehicles | (4,451,271) | (268,276) | \$15,215 | (4,704,332) |
| Electric, Water, Sewer, and Storm Sewer Lines | (40,725,406) | (1,899,588) | | (42,624,994) |
| Total Accumulated Depreciation | <u>(78,426,880)</u> | <u>(3,449,390)</u> | <u>15,215</u> | <u>(81,861,055)</u> |
| Total Depreciable Capital Assets, Net | <u>83,022,523</u> | <u>1,581,205</u> | | <u>84,603,728</u> |
| Business-Type Activities Capital Assets, Net | <u>\$105,752,819</u> | <u>\$6,300,566</u> | <u>(\$4,594,178)</u> | <u>\$107,459,207</u> |

The Water and Sewer enterprise funds accepted contributions of capital assets from governmental activities with a fair value of \$2,462,595 and \$492,063, respectively.

Depreciation expense was charged to governmental functions as follows:

| | |
|--|--------------------|
| Governmental Activities | |
| Security of Persons and Property-Police | \$155,156 |
| Security of Persons and Property-Fire | 245,816 |
| Security of Persons and Property-Ambulance | 31,039 |
| Public Health | 6,320 |
| Leisure Time Activities | 201,152 |
| Community Environment | 8,254 |
| Transportation | 2,066,559 |
| General Government-Court | 161,939 |
| General Government-Other | 71,199 |
| Total Depreciation Expense - Governmental Activities | <u>\$2,947,434</u> |

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 10 - INTERFUND BALANCES

Interfund balances at December 31, 2011, consisted of the following individual fund receivables and payables:

Due to General Fund from:

| | |
|---------------------------|-----------|
| Playground and Recreation | \$115,900 |
| Electric | 117,433 |
| Total General Fund | \$233,333 |

Due to Other Governmental Funds from:

| | |
|--------------------------------|-----------|
| General | \$195,725 |
| Playground and Recreation | 12,996 |
| Sewer and Water Improvement | 130,430 |
| Street Repair | 19,572 |
| Other Governmental | 32,724 |
| Total Other Governmental Funds | \$391,447 |

Due to Electric Fund from:

| | |
|---------------------|----------|
| Water | \$3,328 |
| Sewer | 15,876 |
| Total Electric Fund | \$19,204 |

Due to Water Fund from:

| | |
|---------------------------|---------|
| General | \$3,507 |
| Playground and Recreation | 170 |
| Other Governmental | 947 |
| Electric | 964 |
| Sewer | 2,158 |
| Total Water Fund | \$7,746 |

Due to Sewer Fund from:

| | |
|---------------------------|----------|
| General | \$16,370 |
| Playground and Recreation | 357 |
| Other Governmental | 5,747 |
| Electric | 4,771 |
| Water | 2,753 |
| Internal Service | 253 |
| Total Sewer Fund | \$30,251 |

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 10 - INTERFUND BALANCES (continued)

Due to Internal Service Fund from:

| | |
|-----------------------------|----------|
| General | \$16,478 |
| Sewer and Water Improvement | 8,373 |
| Street Repair | 549 |
| Water | 31 |
| Sewer | 715 |
| Total Internal Service Fund | \$26,146 |

The balances due to the General, Electric, Water, Sewer, and Internal Service funds resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts, except for amounts due to the General Fund from the Playground and Recreation special revenue fund, are expected to be received within one year. The following is a summary of the City's future annual debt service requirements to repay the \$115,900 owed by the Playground and Recreation special revenue fund:

| Year Ending December 31, | Principal |
|-----------------------------|-----------|
| 2012 | \$57,950 |
| 2013 | 57,950 |
| Total | \$115,900 |

NOTE 11 - 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; and natural disasters. During 2011, the City contracted with the Buckeye Ohio Risk Management Agency (BORMA) for property, liability, and crime insurance. The BORMA program is subject to a \$150,000 deductible for any property or liability loss. Coverage provided by BORMA is as follows:

| | |
|-----------------------------|---------------|
| Property | |
| Building and Contents | \$250,000,000 |
| Flood Annual Aggregate | 21,000,000 |
| Earthquake Annual Aggregate | 21,000,000 |
| Boiler and Machinery | 50,000,000 |
| General Liability | |
| Per Occurrence | 2,000,000 |
| Employee Benefit Liability | 2,000,000 |
| Ohio Stop Gap Liability | 2,000,000 |
| Public Official Liability | \$2,000,000 |

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 11 - RISK MANAGEMENT (continued)

| | |
|--|-------------|
| Law Enforcement Professional Liability | \$2,000,000 |
| Automobile Liability | 2,000,000 |
| Crime | |
| Employee Dishonesty and Faithful Performance | 500,000 |
| Depositor's Forgery | 500,000 |
| Money and Securities | 500,000 |
| Excess Liability | |
| Per Occurrence | 8,000,000 |
| Annual Aggregate | \$8,000,000 |

Settled claims have not exceeded this coverage in any of the past three years, and there has not been a significant reduction in coverage from the prior year.

The City participates in the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool among several cities in Northern Ohio. The City pays monthly premiums for health care coverage for its employees and for property, liability, and crime insurance. BORMA is responsible for the management and operations of the programs. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage provided under the respective programs. Upon withdrawal from BORMA, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal from the respective program.

For 2011, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan. To maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the plan if written notice is provided sixty days prior to the prescribed application deadline to the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 12 - CONTRACTUAL COMMITMENTS

At December 31, 2011, the City had contractual commitments as follows:

| Company | Project | Amount Remaining on Contract |
|----------------|--|------------------------------------|
| Darr's | Dunbridge Road Sewer Cleaning | \$47,638 |
| E. T. Electric | North Main Street Widening | 100,000 |
| Fairbanks | Fairbanks Morse Pump | 65,782 |
| Geddis, Inc. | East Poe Road Improvements | 398,175 |
| Hank's | Poe/Mercer Road Pump | 200,000 |
| Helms & Son | North Main Street Waterline Improvements | 36,371 |
| Jack Doheny | Sewer Cleaner | 316,777 |
| Miller Pipe | Sanitary Sewer Rehabilitation | 49,093 |
| Poggemeyer | Construction Services | 155,728 |
| Retzke/Snyder | Construction Services | 267,150 |
| Shelly Company | East Poe Road ARRA Paving Program | \$67,966 |

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 for 2011. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 was \$1,036,895, \$946,446, and \$932,993, respectively. For 2011, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$23,271 made by the City and \$16,622 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. 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 that includes financial information and required supplementary information for the plan. The report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2011, the portion of the City's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$380,544 and \$613,607 for the year ended December 31, 2011, \$383,416 and \$598,926 for the year ended December 31, 2010, and \$399,146 and \$620,896, for the year ended December 31, 2009. For 2011, 70 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 for 2011.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 was \$424,067, \$551,514, and \$689,956, respectively. For 2011, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS retirement board on September 9, 2004, was effective January 1, 2007. Member and employer contributions rates increased on January 1 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement healthcare 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 healthcare coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

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

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contribution allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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 contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$201,464 and \$240,107 for the year ended December 31, 2011, \$202,985 and \$234,362 for the year ended December 31, 2010, and \$211,313 and \$242,959 for the year ended December 31, 2009. For 2011, 70 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

NOTE 15 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn vacation at varying rates depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with supervisory approval. Employees are paid for 100 percent of earned unused vacation leave upon termination. Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit, except for firefighters hired on or after May 1, 2011, who will accumulate sick leave to a maximum of two hundred forty hours. Each employee, at the time of retirement from active service with the City, is paid for 25 percent of their earned unused sick leave, with no maximum payment limit, except for those employees under the Bowling Green Police Command Officers' Association. The employees under the Police Command Officers' Association will be paid for 25 percent of their earned unused sick leave up to 1,500 hours and 50 percent of earned unused sick leave in excess of 1,500 hours.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 16 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2011, were as follows:

| | Interest Rate | Balance December 31, 2010 | Additions | Reductions | Balance December 31, 2011 |
|---|------------------|---------------------------------|------------------|--------------------|---------------------------------|
| <u>Business-Type Activities</u> | | | | | |
| <u>General Obligation Bond Anticipation Notes</u> | | | | | |
| Electric | | | | | |
| 2010 Electric System Improvements | 1.5% | \$320,000 | | \$320,000 | |
| 2010 Electric System Improvements | 1.5 | 1,585,000 | | 1,585,000 | |
| 2010 Electric System Improvements | 2 | 570,000 | | 570,000 | |
| 2011 Electric System Improvements | 1.25 | | \$985,000 | | \$985,000 |
| Total Business-Type Activities | | <u>\$2,475,000</u> | <u>\$985,000</u> | <u>\$2,475,000</u> | <u>\$985,000</u> |

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The City has issued bond anticipation notes with a maturity of one year or less which will be reissued until paid in full or bonds are issued. The City's bond anticipation notes are supported by the full faith and credit of the City.

During 2010, the City issued electric system improvement bond anticipation notes, in the amount of \$570,000 for the acquisition of real estate for the City's municipal electric system. These notes were fully retired during 2011.

During 2011, the City issued electric system improvement bond anticipation notes, in the amount of \$985,000, to partially retire notes previously issued, in the amount of \$1,905,000, to pay the costs of improving the City's electric system by constructing a new substation. The notes were issued on November 22, 2011, and mature on November 20, 2012.

NOTE 17 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2011, was as follows:

| | Interest Rate | Balance December 31, 2010 | Additions | Reductions | Balance December 31, 2011 | Due Within One Year |
|--------------------------------|------------------|---------------------------------|------------------|------------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> | | | | | | |
| <u>Bond Anticipation Notes</u> | | | | | | |
| 2010 Street Improvement Notes | 1.25% | \$2,200,000 | | \$2,200,000 | | |
| 2011 Street Improvement Notes | 1.00 | | 3,500,000 | | \$3,500,000 | \$3,500,000 |
| Total Bond Anticipation Notes | | <u>2,200,000</u> | <u>3,500,000</u> | <u>2,200,000</u> | <u>3,500,000</u> | <u>3,500,000</u> |

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

| | Interest Rate | Balance December 31, 2010 | Additions | Reductions | Balance December 31, 2011 | Due Within One Year |
|--|------------------|---------------------------------|--------------------|--------------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> | | | | | | |
| General Obligation Bonds | | | | | | |
| 2004 Various Purpose Improvement (Original Issue - \$11,745,000) | 3.00% | \$7,610,000 | | \$590,000 | \$7,020,000 | \$600,000 |
| Premium | | 73,858 | | 5,726 | 68,132 | |
| 2006 Park and Recreation (Original Issue - \$480,000) | 4.42 | 300,000 | | 60,000 | 240,000 | 60,000 |
| Total General Obligation Bonds | | <u>7,983,858</u> | | <u>655,726</u> | <u>7,328,132</u> | <u>660,000</u> |
| Ohio Water Development Authority Loans | | | | | | |
| 1994 Second Water Transmission Main (Original Issue - \$3,644,348) | 5.77 | 2,237,620 | | 196,590 | 2,041,030 | 103,967 |
| 1999 Granular Activated Carbon System (Original Issue - \$2,880,752) | 5.50 | 1,210,768 | | 278,520 | 932,248 | 145,031 |
| 2002 Clearwell and High Service Pump (Original Issue - \$3,217,619) | 3.95 | 2,258,260 | | 264,226 | 1,994,034 | 136,039 |
| 2004 Wastewater Treatment Plant and Solids Handling Improvements | 1.76 | 3,916,398 | | 385,847 | 3,530,551 | |
| 2008 Intake and Pump Station (Original Issue - \$4,107,626) | 3.52 | 3,963,135 | | 149,621 | 3,813,514 | 76,792 |
| 2009 WWTP Tertiary Filtration | 4.14 | 2,400,053 | | 99,039 | 2,301,014 | |
| 2009 Microfiltration/Low Pressure Reverse Osmosis | 0.00 | 2,906,482 | \$1,129,438 | 240,676 | 3,795,244 | |
| 2010 WWTP Ultraviolet Disinfection Project | 0.00 | 917,784 | | 49,078 | 868,706 | |
| Total Ohio Water Development Authority Loans | | <u>19,810,500</u> | <u>1,129,438</u> | <u>1,663,597</u> | <u>19,276,341</u> | <u>461,829</u> |
| Other Long-Term Obligations | | | | | | |
| Compensated Absences Payable | | 1,686,300 | 133,673 | 233,355 | 1,586,618 | 770,745 |
| Capital Leases Payable | | | 179,604 | 81,745 | 97,859 | 26,877 |
| Total Other Long-Term Obligations | | <u>1,686,300</u> | <u>313,277</u> | <u>315,100</u> | <u>1,684,477</u> | <u>797,622</u> |
| Total Governmental Activities | | <u>\$31,680,658</u> | <u>\$4,942,715</u> | <u>\$4,834,423</u> | <u>\$31,788,950</u> | <u>\$5,419,451</u> |

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

| | Interest Rate | Balance December 31, 2010 | Additions | Reductions | Balance December 31, 2011 | Due Within One Year |
|--|------------------|---------------------------------|--------------------|--------------------|---------------------------------|------------------------|
| <u>Business-Type Activities</u> | | | | | | |
| General Obligation Bonds | | | | | | |
| 2004 Various Purpose Improvement (Original Issue - \$6,215,000) | 3.00% | \$4,310,000 | | \$305,000 | \$4,005,000 | \$310,000 |
| Premium | | 41,831 | | 2,961 | 38,870 | |
| Total General Obligation Bonds | | 4,351,831 | | 307,961 | 4,043,870 | 310,000 |
| Other Long-Term Obligations | | | | | | |
| Compensated Absences Payable | | \$1,036,055 | \$156,028 | \$213,577 | \$978,506 | \$388,041 |
| Capital Leases Payable | | 55,538 | | 55,538 | | |
| AMP Ohio Payable - JV 2 | | 5,683,438 | | 1,365,517 | 4,317,921 | 473,163 |
| AMP Ohio Payable - JV 6 | | 2,840,809 | | 545,811 | 2,294,998 | 512,465 |
| AMP Ohio Payable | | | 3,434,660 | 1,679,000 | 1,755,660 | |
| Total Other Long-Term Obligations | | 9,615,840 | 3,590,688 | 3,859,443 | 9,347,085 | 1,373,669 |
| Total Business-Type Activities | | \$13,967,671 | \$3,590,688 | \$4,167,404 | \$13,390,955 | \$1,683,669 |

2010 Street Improvement Bond Anticipation Notes - On March 25, 2010, the City issued \$2,200,000 in bond anticipation notes for street improvements. The notes had an interest rate of 1.25 percent and matured on March 17, 2011.

2011 Street Improvement Bond Anticipation Notes - On March 16, 2011, the City issued \$3,500,000 in bond anticipation notes for street improvements. The notes had an interest rate of 1 percent and matured on March 16, 2012.

2004 Various Purpose Improvement General Obligation Bonds - On May 6, 2004, the City issued \$17,960,000 in unvoted general obligation bonds to retire notes originally issued to finance the following: a new Municipal Court (\$3,510,000), the West Side Fire Station (\$610,000), portions of the Central Business District (\$2,270,000), the Community Center (\$3,950,000), East Wooster Street Improvements (\$1,405,000), the Electric System (\$835,000), the Water System Improvement (\$1,150,000), the Wastewater Treatment Plant (\$1,385,000), and the Sanitary Sewerage System (\$2,845,000). The bonds were issued for a twenty-four year period with maturity beginning December 1, 2004. The interest rate of the bonds ranges from 3 to 5 percent over the life of the bonds. The bonds will be paid from the Debt Service Fund, and the Electric, Water, and Sewer enterprise funds.

The bonds maturing on or after December 1, 2014, are subject to optional redemption on or after December 1, 2013, by and at the sole option of the City, either in whole or in part (as selected by the City) on any date and in integral multiples of \$5,000, at par, plus accrued interest to the redemption date.

The bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, on December 1, 2017, in the amount of \$805,000 (with the balance of \$815,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, on December 1, 2019, in the amount of \$745,000 (with the balance of \$785,000 to be paid at stated maturity on December 1, 2020) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, on December 1, 2022, in the amount of \$790,000 (with the balance of \$825,000 to be paid at stated maturity on December 1, 2023) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, in part by lot, on December 1, 2024, and December 1, 2025, in the amount of \$210,000 and \$220,000, respectively, (with the balance of \$230,000 to be paid at stated maturity on December 1, 2026) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, in part by lot, on December 1, 2027, in the amount of \$240,000 (with the balance of \$250,000 to be paid at stated maturity on December 1, 2028) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

2006 Park and Recreation General Obligation Bonds - On November 8, 2006, the City issued \$480,000 in unvoted general obligation bonds to retire notes previously issued to purchase real property for park and recreation purposes. The bonds were issued for an eight year period with maturity beginning December 1, 2008. The bonds will be paid from the Greenspace Acquisition capital projects fund.

OWDA Loans Payable - The OWDA loans represent amounts borrowed from the Ohio Water Development Authority for construction of water and sewer system improvements. The intention is to repay the loans with income tax revenues of the Sewer and Water Capital Improvement capital projects fund. Annual principal and interest payments on the loans are expected to require less than 100 percent of these revenues. The total principal and interest remaining to be paid on the loans (on completed projects for which amortization schedules are available) is \$11,090,835. Principal and interest paid in the Sewer and Water Capital Improvement capital projects fund for the current year were \$1,663,597 and \$643,304, respectively. Total revenue for the Sewer and Water Capital Improvement capital projects fund was \$4,158,676.

Compensated Absences - The compensated absences liability will be paid from the General Fund, the Playground and Recreation, Street Maintenance and Repair, ODOT Transportation, Community Development Block Grant, Police Levy, Fire Levy, Civil Infraction, Law Enforcement Mandatory Drug, Municipal Court Special Projects, and Municipal Probation Services special revenue funds, the Electric, Water, and Sewer enterprise funds, and the Engineering internal service fund.

Capital Leases Payable - Capital lease obligations will be paid from the fund that maintains custody of the related asset.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

AMP Ohio Payable - JV2 - The City is a participant, with thirty-six other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. During 2001, AMP-Ohio issued bonds, in the amount of \$50,260,000, to acquire capital assets for JV2. Under a financing agreement between the participants of JV2 and AMP-Ohio, the participants have agreed to pay the debt service requirements of the bonds. Payments are to be made solely from resources of the City's Electric enterprise fund.

AMP Ohio Payable - JV6 - The City is a participant, with ten other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6), a joint venture to provide low-polluting capacity electricity to the participants. During 2004, AMP-Ohio issued bonds, in the amount of \$9,861,000, to acquire capital assets for JV6. Under a financing agreement between the participants of JV6 and AMP-Ohio, the participants have agreed to pay the debt service requirements of the bonds. Payments are to be made solely from resources of the City's Electric enterprise fund.

The AMP-Ohio loans for JV2 and JV6 will be paid solely from the net revenues of the electric system, subject only to the prior payment of operation and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues. The City is required to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 and JV6 debt service and any other outstanding electric system revenue obligations. The remaining principal and interest to be paid on the loans is \$5,665,988 payable through 2020 for JV2 and \$2,499,671 payable through 2016 for JV6. Principal and interest paid for the current year were \$730,292 for JV2 and \$578,592 for JV6. Total net revenues for the Electric enterprise fund were \$6,777,913.

AMP Ohio Payable - The City of Bowling Green is a participant in American Municipal Power (AMP-Ohio) and a participant in the American Municipal Power Generating Station Project (AMPGS). This project was anticipated to develop a pulverized coal power plant in Meigs County, Ohio. As a participant, the City executed a take or pay contract on October 1, 2007, in order to participate in this project. The City's share of the project was 21,000 kW of a total capacity of 771,281 kW, giving the City a 2.72 percent share of the project.

The power plant had an estimated cost of \$3 billion; however, as construction progressed, the project's targeted capital costs increased by 37 percent and the engineer, procure, and construct contractor (EPC) could not guarantee that the construction costs would not continue to escalate. In November 2009, the participants in the project voted to terminate the development of the plant.

The take or pay contract executed by the participants requires the participants of the project to pay any costs incurred on the project. To date, the final costs to project participants have not been finalized. At December 31, 2011, AMP-Ohio had a regulatory asset for the recovery of the abandoned construction costs. Based on an allocation to the City of Bowling Green of 21,000 kW and the allocation methodology approved by the AMP-Ohio Board of Trustees, the City of Bowling Green had a potential stranded costs obligation of \$3,434,660 for the AMPGS project as of December 31, 2011.

At the time the participants voted to terminate the coal power plant, they also voted to pursue conversion of the project to a natural gas combined cycle plant. This plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the natural gas combined plant was suspended due to the availability of purchasing the AMP Fremont Energy Center (AFEC) at a favorable price. The City of Bowling Green is not a participant in the AFEC project.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

The City has determined its accounting treatment of this obligation based on advice of the City's Law Director, information provided by AMP-Ohio and its legal counsel, and City management. As of December 31, 2011, the City had paid \$1,679,000 of this obligation which AMP-Ohio is holding in the City's account until final costs to project participants are determined and legal proceedings related to AMP-Ohio's lawsuit against the EPC are concluded. As a result, this amount is reflected on the City's financial statements as part of "Cash and Cash Equivalents with Fiscal Agents". The City intends to pay the remaining balance of this liability, in the amount of \$1,755,660, in 2014. In addition, the City has recorded a regulatory asset for the recovery of their share of the abandoned construction costs, or \$3,434,660.

The City's legal debt margin was \$41,680,567 at December 31, 2011.

The Waste Water Treatment Plant and Solids Handling Improvements, the WWTP Tertiary Filtration, the Microfiltration/Low Pressure Reverse Osmosis, and the WWTP Ultraviolet Disinfection projects funded by OWDA loans have not been completed. Amortization schedules for the repayment of these loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

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

| Year | General Obligation Bonds | | OWDA Loans | |
|--------------|--------------------------|--------------------|--------------------|--------------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$660,000 | \$318,145 | \$461,829 | \$191,021 |
| 2013 | 665,000 | 292,993 | 953,923 | 351,776 |
| 2014 | 525,000 | 266,141 | 999,888 | 305,810 |
| 2015 | 535,000 | 244,889 | 877,483 | 257,549 |
| 2016 | 485,000 | 223,237 | 743,281 | 221,083 |
| 2017 to 2021 | 2,365,000 | 799,363 | 2,645,824 | 634,909 |
| 2022 to 2026 | 1,535,000 | 311,549 | 1,158,566 | 280,528 |
| 2027 to 2028 | 490,000 | 37,000 | 940,032 | 67,333 |
| Total | \$7,260,000 | \$2,493,317 | \$8,780,826 | \$2,310,009 |

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

| Year | General Obligation Bonds | | AMP Ohio Payable | |
|--------------|--------------------------|--------------------|--------------------|--------------------|
| | Principal | Interest | Principal | Interest |
| 2012 | \$310,000 | \$172,926 | \$985,628 | \$323,587 |
| 2013 | 325,000 | 161,301 | 1,009,087 | 299,950 |
| 2014 | 335,000 | 148,300 | 1,055,318 | 253,160 |
| 2015 | 350,000 | 134,900 | 1,104,211 | 204,192 |
| 2016 | 355,000 | 120,900 | 765,988 | 154,898 |
| 2017 to 2021 | 1,590,000 | 396,022 | 1,692,687 | 316,953 |
| 2022 to 2023 | 740,000 | 169,171 | | |
| Total | <u>\$4,005,000</u> | <u>\$1,303,520</u> | <u>\$6,612,919</u> | <u>\$1,552,740</u> |

The City has issued multi-family housing revenue bonds and Ohio Water Development Authority loans which are summarized in the following table:

| | Date of Issue | Amount of Issue | Balance December 31, 2011 |
|---------------------------------------|------------------|--------------------|---------------------------------|
| Multi-Family Housing Revenue Bonds | | | |
| Bowling Green Village Series 2001 A | 6/1/2001 | \$3,320,000 | \$2,940,000 |
| Student Housing | 6/16/2010 | \$81,610,000 | \$81,610,000 |
| Ohio Water Development Authority Loan | | | |
| Hiram College | 4/29/2004 | \$611,872 | \$611,872 |

The City is not obligated in any way to pay debt and related charges on multi-family housing revenue bonds, Student Housing or the Ohio Water Development Authority Loan - Hiram College from any of its funds, and therefore, they have been excluded entirely from the City's financial statements. There has not been and there is not currently any condition of default under the debt or the related financing documents.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for vehicles. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. During 2011, the City entered into a new lease, in the amount of \$179,604. Capital lease payments are reflected as a reduction of the liability in the fund that maintains the asset. Principal payments in 2011 were \$81,745 in governmental funds and \$55,538, in the Water enterprise fund. The lease in the Water enterprise fund was paid in full during 2011.

| | |
|-----------------------------------|----------------------------|
| | Governmental Activities |
| Vehicles | \$179,604 |
| Less Accumulated Depreciation | (46,397) |
| Carrying Value, December 31, 2010 | \$133,207 |

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011.

| | | |
|------|-----------------------------|----------|
| | Business-Type Activities | |
| Year | Principal | Interest |
| 2012 | \$26,877 | \$4,893 |
| 2013 | 28,220 | 3,550 |
| 2014 | 42,762 | 2,138 |
| | \$97,859 | \$10,581 |

NOTE 19 - FUND BALANCE

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

| | | | | | |
|--|----------|---------------------------------|-----------------------------------|------------------|--------------------------------|
| | General | Playground and Recreation | Sewer and Water Improvement | Street Repair | Other Governmental Funds |
| Nonspendable for: | | | | | |
| Interfund Loans | \$57,950 | | | | |
| Prepaid Items | 68,276 | | | | |
| Unclaimed Monies | 50,534 | | | | |
| Total Nonspendable | 176,760 | | | | |
| Restricted for: | | | | | |
| Capital Improvements | | | 3,456,886 | 1,311,559 | 732,766 |
| Cemetery Operations and Maintenance | | | | | 40,848 |
| Community Development | | | | | 808,365 |
| Court Operations | | | | | 395,013 |

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 19 - FUND BALANCE (continued)

| <u>Fund Balance</u> | <u>General</u> | <u>Playground and Recreation</u> | <u>Sewer and Water Improvement</u> | <u>Street Repair</u> | <u>Other Governmental Funds</u> |
|--|----------------|--|--|--------------------------|---|
| Restricted for (continued): | | | | | |
| Debt Retirement | | | | | \$88,922 |
| Playground and Recreation | | \$409,034 | | | |
| Police and Fire Operations | | | | | 1,382,016 |
| Public Transit | | | | | 14,116 |
| Street Construction and Maintenance | | | | | 753,513 |
| Total Restricted | | 409,034 | \$3,456,886 | \$1,311,559 | 4,215,559 |
| Committed to: | | | | | |
| Equipment Replacement | | | | | 332,525 |
| Facility Replacement | | | | | 942,906 |
| Greenspace Enhancements | \$107,184 | | | | |
| Parking Enforcement and Maintenance | 182,603 | | | | 13,333 |
| Roadway Replacement | | | | | 50,000 |
| Total Committed | 289,787 | | | | 1,338,764 |
| Assigned for: | | | | | |
| Debt Retirement | | | | | 75,867 |
| Unpaid Obligations | 252,127 | | | | |
| Total Assigned | 252,127 | | | | 75,867 |
| Unassigned | 2,847,780 | | | | |
| Total Fund Balance | \$3,566,454 | \$409,034 | \$3,456,886 | \$1,311,559 | \$5,630,190 |

NOTE 20 - INTERFUND TRANSFERS

During 2011, the General, Playground and Recreation, Sewer and Water Improvement, and Street Repair funds made transfers, in the amount of \$200,262, \$12,996, \$130,430, and \$19,572, respectively, to other governmental funds to subsidize activities in those funds. The Street Repair Fund also made transfers, in the amount of \$172,438 as debt payments came due. Other governmental funds made transfers to other governmental funds, in the amount of \$66,000 for transit operations, in the amount of \$688,316 as debt payments came due, in the amount of \$62,500 and \$33,334, to fund equipment capital and facility maintenance, and \$32,724 to subsidize activities in those funds, respectively.

NOTE 21 - INSURANCE POOLS

A. Buckeye Ohio Risk Management Agency (BORMA)

The Buckeye Ohio Risk Management Agency (BORMA) is a public entity shared risk pool among several cities in Northern Ohio. BORMA was formed as an Ohio not-for-profit corporation and operates a health insurance program and a property, crime, and liability insurance program. Each member appoints one person to represent the city on the Board of Directors for a term of one year for participation in the health insurance program and three years for participation in the property, crime, and liability insurance program. Each member city's control over the budgeting and financing of BORMA is limited to its voting authority and any representation it may have on the Board of Directors.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 21 - INSURANCE POOLS (continued)

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA did not have any outstanding debt obligations as of December 31, 2011. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., 1500 West Third Street, Suite 405, Cleveland, Ohio 44113.

B. Ohio Rural Water Association Workers' Compensation Group Rating Plan

The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Rural Water Association Workers' Compensation Group Rating Plan is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating members. Financial information may be obtained from the Ohio Rural Water Association Workers' Compensation Group Rating Plan, 975 Linden Avenue, Zanesville, Ohio 43701.

NOTE 22 - JOINT VENTURES

A. Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The City is a participant, with thirty-five other subdivisions within the State of Ohio, in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis, the Ohio Municipal Electric Generation Agency Joint Venture (JV2). The City is both a financing participant and an owner participant with percentages of liability and ownership of 18.27 percent and 14.32 percent, respectively. Owner participants own undivided interests, as tenants in common, in JV2 in the amount of their respective project shares. Purchaser participants agree to purchase the output associated with their respective project shares, ownership of which is held in trust for such purchaser participants.

In accordance with the JV2 Agreement (Agreement), the participants jointly undertook (as either financing participants or non-financing participants and as either owner participants or purchaser participants) the acquisition, construction, and equipping of JV2, including such portions of JV2 as have been acquired, constructed, or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses 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. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011, the City had met its debt coverage obligation.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 22 - JOINT VENTURES (continued)

JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The project consists of 138.65 MW of distributed generation (of which 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net assets will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. During 2011, AMP-Ohio retired the remaining balance of these bonds; however, the City is still responsible for paying the remainder of their obligation for this debt to AMP-Ohio. The City's net obligation for these bonds at December 31, 2011, was \$4,317,921 (including previous billings to members, interest payable, and debt service paid and collected).

The City's net investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's net investment in JV2 was \$4,181,264 at December 31, 2011. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The City is a participant, with forty-one other subdivisions within the State of Ohio, in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia (on the Ohio River at the Belleville Locks and Dam) and receive electricity from its operation, the Ohio Municipal Electric Generation Agency Joint Venture (JV5). The City is a financing participant with an ownership percentage of 15.73 percent. Financing participants own undivided interests, as tenants in common, without right of partition in JV5.

In accordance with the JV5 Agreement (Agreement), the participants jointly undertook, as financing participants, the acquisition, construction, and equipping of JV5, including such portions of JV5 as have been acquired, constructed, or equipped by AMP-Ohio.

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 operation and maintenance expenses 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. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV5 debt service and any other outstanding senior lien electric system revenue obligations. Upon dissolution of JV5, the net assets will be shared by the participants on a percentage of ownership basis. As of December 31, 2011, the City had met its debt coverage obligation.

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, JV5 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting 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 participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 22 - JOINT VENTURES (continued)

JV5 was created to construct a 42 MW run-of-the-river hydroelectric plant (including 40 MW of backup generation) and associated transmission facilities and sells electricity from its operations to JV5 participants.

JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001, AMP-Ohio issued \$153,415,000 and \$13,899,981, respectively, of thirty year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the financing participants of JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds were used to construct the 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 2005 through 2024.

The City's net investment and its share of operating results of JV5 are reported in the City's Electric enterprise fund. The City's net investment in JV5 was \$1,670,701 at December 31, 2011. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

C. Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6)

The City is a participant, with ten other subdivisions within the State of Ohio, in a joint venture to provide low-polluting capacity electricity to the participants, the Ohio Municipal Electric Generation Agency Joint Venture (JV6). The City is a financing participant with a percentage of ownership of 56.94 percent. Financing participants own undivided interests, as tenants in common, in JV6 in the amount of their respective project shares.

In accordance with the JV6 Agreement (Agreement), the participants jointly undertook (as either financing participants or non-financing participants) the acquisition, construction, and equipping of JV6, including such portions of JV6 as have been acquired, constructed, or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses 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. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011, the City had met its debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, JV6 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting 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 participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE 22 - JOINT VENTURES (continued)

JV6 was created to provide for low-polluting capacity electricity through wind energy. The project consists of four wind turbines with a nominal capacity of 1.8 MW and related facilities. Upon dissolution of JV6, the net assets will be shared by the participants on a percentage of ownership basis. JV6 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2004, AMP-Ohio issued \$9,861,000 of fifteen year adjustable rate bonds on behalf of the financing participants of JV6. The proceeds of the bond issue were contributed to JV6. The City's net obligation for these bonds at December 31, 2011, was \$2,294,998.

The City's net investment and its share of the operating results of JV6 are reported in the City's Electric enterprise fund. The City's net investment in JV6 was \$4,892,598 at December 31, 2011. Complete financial statements for JV6 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

NOTE 23 - JOINTLY GOVERNED ORGANIZATION

The City participates in the Bowling Green Central Business Special Improvement District, Inc. (SID), a 501(c)(3) not-for-profit corporation established under Chapter 1710 of the Ohio Revised Code. The SID was created to encourage and participate in programs which maintain, improve, and expand the central business district as a viable business, cultural, and recreational community, to provide programming which will preserve the economic well-being and employment opportunities in the central business district, and to encourage and participate in programs to preserve the aesthetic, architectural, and historic character of the central business district.

The SID is governed by an eight member board of trustees consisting of the Chief Executive of the City of Bowling Green and seven members representing businesses within the SID. Financial information can be obtained from the Bowling Green Central Business Special Improvement District, Inc., 121 East Wooster Street, Bowling Green, Ohio 43402.

NOTE 24 - CONTINGENT LIABILITIES

There are currently no matters in litigation with the City as defendant.

For the period January 1, 2011, to December 31, 2011, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 25 - SUBSEQUENT EVENTS

On March 16, 2012, the City issued bond anticipation notes, in the amount of \$2,750,000, to retire notes previously issued for street improvements. The notes have an interest rate of 1 percent and mature on March 14, 2013.

City of Bowling Green
Comparative Statement of Fund Net Assets
Enterprise Funds
December 31, 2011, and 2010

| | Electric | | Water | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 |
| <u>Current Assets</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$14,796,392 | \$15,136,938 | \$4,175,044 | \$3,985,887 |
| Cash and Cash Equivalents with Fiscal Agents | 1,932,007 | 1,387,560 | | |
| Accounts Receivable | 4,816,643 | 5,110,199 | 419,996 | 385,151 |
| Due from Other Governments | 5,200 | 50 | 96 | 120 |
| Other Local Taxes Receivable | 127,146 | 132,155 | | |
| Interfund Receivable | 19,204 | 11,344 | 7,746 | 9,529 |
| Prepaid Items | 22,759 | 26,610 | 22,758 | 26,610 |
| Materials and Supplies Inventory | 1,022,272 | 1,041,462 | 141,336 | 143,419 |
| Total Current Assets | 22,741,623 | 22,846,318 | 4,766,976 | 4,550,716 |
| <u>Non-Current Assets</u> | | | | |
| Recovered Purchased Power Receivable | 3,483,750 | | | |
| Unamortized Bond Issuance Cost | 4,853 | 5,741 | 11,004 | 11,756 |
| Nondepreciable Capital Assets | 2,769,101 | 3,241,979 | 17,096,864 | 15,806,429 |
| Depreciable Capital Assets, Net | 15,398,990 | 14,099,198 | 26,342,142 | 25,929,699 |
| Investment in Joint Venture | 10,744,563 | 11,100,305 | | |
| Total Non-Current Assets | 32,401,257 | 28,447,223 | 43,450,010 | 41,747,884 |
| Total Assets | 55,142,880 | 51,293,541 | 48,216,986 | 46,298,600 |
| <u>Current Liabilities</u> | | | | |
| Accrued Wages Payable | 44,896 | 75,255 | 26,207 | 51,273 |
| Accounts Payable | 2,412,713 | 2,315,815 | 76,332 | 79,295 |
| Contracts Payable | 32,714 | | 366 | |
| Recovered Purchased Power Payable | | 1,954,465 | | |
| Due to Other Governments | 100,387 | 84,460 | 50,850 | 43,636 |
| Interfund Payable | 123,168 | 126,474 | 6,112 | 5,820 |
| Accrued Interest Payable | 2,486 | 13,329 | 2,921 | 3,081 |
| Notes Payable | 985,000 | 2,475,000 | | |
| General Obligation Bonds Payable | 65,000 | 65,000 | 55,000 | 55,000 |
| Compensated Absences Payable | 220,775 | 148,389 | 72,988 | 83,203 |
| Capital Leases Payable | | | | 55,538 |
| AMP Ohio Payable | 985,628 | 995,225 | | |
| Total Current Liabilities | 4,972,767 | 8,253,412 | 290,776 | 376,846 |
| <u>Non-Current Liabilities</u> | | | | |
| General Obligation Bonds Payable | 293,446 | 359,077 | 757,812 | 813,346 |
| Compensated Absences Payable | 277,538 | 325,380 | 161,196 | 185,182 |
| AMP Ohio Payable | 7,382,951 | 7,529,022 | | |
| Total Non-Current Liabilities | 7,953,935 | 8,213,479 | 919,008 | 998,528 |
| Total Liabilities | 12,926,702 | 16,466,891 | 1,209,784 | 1,375,374 |
| <u>Net Assets</u> | | | | |
| Invested in Capital Assets, Net of Related Debt | 16,829,498 | 14,447,841 | 42,637,198 | 40,824,000 |
| Unrestricted | 25,386,680 | 20,378,809 | 4,370,004 | 4,099,226 |
| Total Net Assets | \$42,216,178 | \$34,826,650 | \$47,007,202 | \$44,923,226 |

| Sewer | | Totals | |
|---------------------|---------------------|----------------------|----------------------|
| 2011 | 2010 | 2011 | 2010 |
| \$2,558,143 | \$2,556,465 | \$21,529,579 | \$21,679,290 |
| | | 1,932,007 | 1,387,560 |
| 428,610 | 373,993 | 5,665,249 | 5,869,343 |
| 2,313 | 1,035 | 7,609 | 1,205 |
| | | 127,146 | 132,155 |
| 30,251 | 26,388 | 57,201 | 47,261 |
| 22,758 | 26,610 | 68,275 | 79,830 |
| 102,576 | 101,267 | 1,266,184 | 1,286,148 |
| <u>3,144,651</u> | <u>3,085,758</u> | <u>30,653,250</u> | <u>30,482,792</u> |
| | | 3,483,750 | |
| 38,888 | 41,417 | 54,745 | 58,914 |
| 2,989,514 | 3,681,888 | 22,855,479 | 22,730,296 |
| 42,862,596 | 42,993,626 | 84,603,728 | 83,022,523 |
| | | 10,744,563 | 11,100,305 |
| <u>45,890,998</u> | <u>46,716,931</u> | <u>121,742,265</u> | <u>116,912,038</u> |
| <u>49,035,649</u> | <u>49,802,689</u> | <u>152,395,515</u> | <u>147,394,830</u> |
| | | | |
| 28,796 | 49,904 | 99,899 | 176,432 |
| 76,537 | 59,468 | 2,565,582 | 2,454,578 |
| | | 33,080 | |
| | | | 1,954,465 |
| 53,114 | 44,063 | 204,351 | 172,159 |
| 18,749 | 10,512 | 148,029 | 142,806 |
| 10,320 | 10,859 | 15,727 | 27,269 |
| | | 985,000 | 2,475,000 |
| 190,000 | 185,000 | 310,000 | 305,000 |
| 94,278 | 96,874 | 388,041 | 328,466 |
| | | | 55,538 |
| | | 985,628 | 995,225 |
| <u>471,794</u> | <u>456,680</u> | <u>5,735,337</u> | <u>9,086,938</u> |
| | | | |
| 2,682,612 | 2,874,408 | 3,733,870 | 4,046,831 |
| 151,731 | 197,027 | 590,465 | 707,589 |
| | | 7,382,951 | 7,529,022 |
| <u>2,834,343</u> | <u>3,071,435</u> | <u>11,707,286</u> | <u>12,283,442</u> |
| <u>3,306,137</u> | <u>3,528,115</u> | <u>17,442,623</u> | <u>21,370,380</u> |
| | | | |
| 43,018,386 | 43,657,523 | 102,485,082 | 98,929,364 |
| 2,711,126 | 2,617,051 | 32,467,810 | 27,095,086 |
| <u>\$45,729,512</u> | <u>\$46,274,574</u> | <u>\$134,952,892</u> | <u>\$126,024,450</u> |

City of Bowling Green
Comparative Statement of Revenues, Expenses, and Change in Fund Net Assets
Enterprise Funds
For the Years Ended December 31, 2011, and 2010

| | Electric | | Water | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 |
| <u>Operating Revenues</u> | | | | |
| Charges for Services | \$41,476,927 | \$43,915,581 | \$3,917,173 | \$3,691,814 |
| Other | 785,874 | 909,950 | 50,023 | 31,224 |
| Total Operating Revenues | <u>42,262,801</u> | <u>44,825,531</u> | <u>3,967,196</u> | <u>3,723,038</u> |
| <u>Operating Expenses</u> | | | | |
| Purchased Power | 28,615,689 | 33,818,291 | | |
| Plant Operation | | 157 | 1,994,589 | 1,737,343 |
| Distribution Operation | 2,939,481 | 2,634,895 | 804,570 | 913,906 |
| Administrative and General | 1,592,069 | 1,272,945 | 575,604 | 554,821 |
| Information and Technology | 135,857 | 128,542 | 45,367 | 42,852 |
| Depreciation | 1,218,575 | 1,185,017 | 886,334 | 928,737 |
| Total Operating Expenses | <u>34,501,671</u> | <u>39,039,847</u> | <u>4,306,464</u> | <u>4,177,659</u> |
| Operating Income (Loss) | <u>7,761,130</u> | <u>5,785,684</u> | <u>(339,268)</u> | <u>(454,621)</u> |
| <u>Non-Operating Revenues (Expenses)</u> | | | | |
| Excise Taxes | 1,616,744 | 1,672,123 | | |
| Excise Taxes Expense | (1,616,744) | (1,672,123) | | |
| Interest Revenue | 21,655 | 14,294 | 431 | 509 |
| Interest Expense | (37,515) | (76,778) | (39,782) | (35,901) |
| Grants | | | | |
| Investment in Joint Venture | (355,742) | (290,496) | | |
| Total Non-Operating Revenues (Expenses) | <u>(371,602)</u> | <u>(352,980)</u> | <u>(39,351)</u> | <u>(35,392)</u> |
| Income (Loss) Before Contributions | 7,389,528 | 5,432,704 | (378,619) | (490,013) |
| Capital Contributions | | | 2,462,595 | 6,557,298 |
| Change in Net Assets | 7,389,528 | 5,432,704 | 2,083,976 | 6,067,285 |
| Net Assets Beginning of Year | <u>34,826,650</u> | <u>29,393,946</u> | <u>44,923,226</u> | <u>38,855,941</u> |
| Net Assets End of Year | <u>\$42,216,178</u> | <u>\$34,826,650</u> | <u>\$47,007,202</u> | <u>\$44,923,226</u> |

| Sewer | | Totals | |
|---------------------|---------------------|----------------------|----------------------|
| 2011 | 2010 | 2011 | 2010 |
| \$3,685,822 | \$3,612,772 | \$49,079,922 | \$51,220,167 |
| 316,350 | 309,533 | 1,152,247 | 1,250,707 |
| 4,002,172 | 3,922,305 | 50,232,169 | 52,470,874 |
| | | 28,615,689 | 33,818,291 |
| 1,744,489 | 1,604,418 | 3,739,078 | 3,341,918 |
| 769,930 | 797,917 | 4,513,981 | 4,346,718 |
| 1,005,320 | 842,986 | 3,172,993 | 2,670,752 |
| 45,253 | 42,850 | 226,477 | 214,244 |
| 1,344,481 | 1,277,125 | 3,449,390 | 3,390,879 |
| 4,909,473 | 4,565,296 | 43,717,608 | 47,782,802 |
| (907,301) | (642,991) | 6,514,561 | 4,688,072 |
| | | 1,616,744 | 1,672,123 |
| | | (1,616,744) | (1,672,123) |
| 683 | 818 | 22,769 | 15,621 |
| (130,507) | (145,852) | (207,804) | (258,531) |
| | 20,000 | | 20,000 |
| | | (355,742) | (290,496) |
| (129,824) | (125,034) | (540,777) | (513,406) |
| (1,037,125) | (768,025) | 5,973,784 | 4,174,666 |
| 492,063 | 2,496,156 | 2,954,658 | 9,053,454 |
| (545,062) | 1,728,131 | 8,928,442 | 13,228,120 |
| 46,274,574 | 44,546,443 | 126,024,450 | 112,796,330 |
| <u>\$45,729,512</u> | <u>\$46,274,574</u> | <u>\$134,952,892</u> | <u>\$126,024,450</u> |

City of Bowling Green
 Comparative Statement of Cash Flows
 Enterprise Funds
 For the Years Ended December 31, 2011, and 2010

| | Electric | | Water | |
|---|---------------------|---------------------|--------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 |
| <u>Increases (Decreases) in Cash and Cash Equivalents</u> | | | | |
| <u>Cash Flows from Operating Activities</u> | | | | |
| Cash Received from Customers | \$41,757,636 | \$43,419,781 | \$3,884,127 | \$3,645,690 |
| Cash Payments for Purchased Power | (34,000,700) | (32,444,675) | | |
| Cash Payments for Plant Operation | | | (1,991,166) | (1,824,106) |
| Cash Payments for Distribution Operation | (2,966,939) | (2,595,867) | (841,803) | (892,497) |
| Cash Payments for Administrative and General | (1,613,476) | (1,389,762) | (591,889) | (594,592) |
| Cash Payments for Information and Technology | (131,513) | (108,456) | (43,687) | (36,154) |
| Cash Received from Other Revenues | 785,828 | 974,315 | 50,023 | 72,916 |
| Net Cash Provided by Operating Activities | <u>3,830,836</u> | <u>7,855,336</u> | <u>465,605</u> | <u>371,257</u> |
| <u>Cash Flows from Non-Capital Financing Activities</u> | | | | |
| Cash Received from Excise Taxes | 1,616,744 | 1,672,123 | | |
| Cash Payments for Excise Tax Distribution Grants | (1,616,744) | (1,672,123) | | |
| Net Cash Provided by Noncapital Financing Activities | | | | |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | | |
| Principal Paid on Bond Anticipation Notes | (2,475,000) | (2,886,000) | | |
| Principal Paid on General Obligation Bonds | (65,000) | (65,000) | (55,000) | (50,000) |
| Principal Paid on Capital Leases | | | (55,538) | (52,919) |
| Interest Paid on Bond Anticipation Notes | (31,788) | (51,204) | | |
| Interest Paid on General Obligation Bonds | (16,313) | (18,425) | (36,975) | (38,600) |
| Interest Paid on Capital Leases | | | (2,749) | (5,369) |
| Bond Anticipation Notes Issued | 985,000 | 2,475,000 | | |
| Acquisition of Capital Assets | (2,045,489) | (2,353,310) | (126,617) | (333,691) |
| Net Cash Used for Capital and Related Financing Activities | <u>(3,648,590)</u> | <u>(2,898,939)</u> | <u>(276,879)</u> | <u>(480,579)</u> |
| <u>Cash Flows from Investing Activities</u> | | | | |
| Interest | 21,655 | 14,294 | 431 | 509 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 203,901 | 4,970,691 | 189,157 | (108,813) |
| Cash and Cash Equivalents Beginning of Year | <u>16,524,498</u> | <u>11,553,807</u> | <u>3,985,887</u> | <u>4,094,700</u> |
| Cash and Cash Equivalents End of Year | <u>\$16,728,399</u> | <u>\$16,524,498</u> | <u>\$4,175,044</u> | <u>\$3,985,887</u> |

| Sewer | | Totals | |
|-------------|-------------|--------------|--------------|
| 2011 | 2010 | 2011 | 2010 |
| \$3,626,061 | \$3,587,501 | \$49,267,824 | \$50,652,972 |
| (1,743,728) | (1,610,579) | (34,000,700) | (32,444,675) |
| (795,458) | (812,013) | (3,734,894) | (3,434,685) |
| (1,014,331) | (909,068) | (4,604,200) | (4,300,377) |
| (43,572) | (36,154) | (3,219,696) | (2,893,422) |
| 316,350 | 329,093 | (218,772) | (180,764) |
| 345,322 | 548,780 | 1,152,201 | 1,376,324 |
| | | | |
| | | 1,616,744 | 1,672,123 |
| | | (1,616,744) | (1,672,123) |
| | 20,000 | | 20,000 |
| | 20,000 | | 20,000 |
| | | (2,475,000) | (2,886,000) |
| (185,000) | (180,000) | (305,000) | (295,000) |
| | (30,786) | (55,538) | (83,705) |
| | | (31,788) | (51,204) |
| (130,313) | (136,163) | (183,601) | (193,188) |
| | (1,334) | (2,749) | (6,703) |
| | | 985,000 | 2,475,000 |
| (29,014) | (352,103) | (2,201,120) | (3,039,104) |
| (344,327) | (700,386) | (4,269,796) | (4,079,904) |
| 683 | 818 | 22,769 | 15,621 |
| 1,678 | (130,788) | 394,736 | 4,731,090 |
| 2,556,465 | 2,687,253 | 23,066,850 | 18,335,760 |
| \$2,558,143 | \$2,556,465 | \$23,461,586 | \$23,066,850 |

(continued)

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2011, and 2010
(continued)

| | Electric | | Water | |
|---|--------------------|--------------------|------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u> | | | | |
| Operating Income (Loss) | \$7,761,130 | \$5,785,684 | (\$339,268) | (\$454,621) |
| <u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u> | | | | |
| Depreciation | 1,218,575 | 1,185,017 | 886,334 | 928,737 |
| Changes in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | 293,556 | (497,402) | (34,845) | (49,020) |
| Decrease in Accrued Interest Receivable | | 64,596 | | 41,692 |
| (Increase) Decrease in Due from Other Governments | (5,150) | 150 | 24 | 906 |
| (Increase) Decrease in Other Local Taxes Receivable | 5,009 | (2,003) | | |
| (Increase) Decrease in Interfund Receivable | (7,860) | 1,221 | 1,783 | 1,990 |
| Decrease in Prepaid Items | 3,851 | 16,051 | 3,852 | 11,838 |
| (Increase) Decrease in Materials and Supplies Inventory | 19,190 | (28,435) | 2,083 | 17,105 |
| Increase (Decrease) in Recovered Purchased Power Receivable | (3,483,750) | 794,979 | | |
| Increase (Decrease) in Accrued Wages Payable | (30,359) | 37,345 | (25,066) | 28,471 |
| Increase (Decrease) in Accounts Payable | 96,898 | (491,185) | (2,963) | (122,117) |
| Increase in Contracts Payable | 32,714 | | 366 | |
| Increase (Decrease) in Recovered Purchased Power Payable | (1,954,465) | 1,954,465 | | |
| Increase (Decrease) in Due to Other Governments | 15,927 | (35,544) | 7,214 | (17,051) |
| Increase (Decrease) in Interfund Payable | (3,306) | 1,272 | 292 | 702 |
| Increase (Decrease) in Compensated Absences Payable | 24,544 | 58,376 | (34,201) | (17,375) |
| Decrease in AMP-Ohio Payable | (155,668) | (989,251) | | |
| Net Cash Provided by Operating Activities | <u>\$3,830,836</u> | <u>\$7,855,336</u> | <u>\$465,605</u> | <u>\$371,257</u> |

| Sewer | | Totals | |
|------------------|------------------|--------------------|--------------------|
| 2011 | 2010 | 2011 | 2010 |
| (\$907,301) | (\$642,991) | \$6,514,561 | \$4,688,072 |
| 1,344,481 | 1,277,125 | 3,449,390 | 3,390,879 |
| (54,617) | (30,450) | 204,094 | (576,872) |
| | 19,560 | | 125,848 |
| (1,278) | 7,073 | (6,404) | 8,129 |
| | | 5,009 | (2,003) |
| (3,863) | (1,894) | (9,940) | 1,317 |
| 3,852 | 17,244 | 11,555 | 45,133 |
| (1,309) | (33,792) | 19,964 | (45,122) |
| | | (3,483,750) | 794,979 |
| (21,108) | 26,413 | (76,533) | 92,229 |
| 17,069 | (124,107) | 111,004 | (737,409) |
| | | 33,080 | |
| | | (1,954,465) | 1,954,465 |
| 9,051 | (16,205) | 32,192 | (68,800) |
| 8,237 | 29 | 5,223 | 2,003 |
| (47,892) | 50,775 | (57,549) | 91,776 |
| | | (155,668) | (989,251) |
| <u>\$345,322</u> | <u>\$548,780</u> | <u>\$4,641,763</u> | <u>\$8,775,373</u> |

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**CITY OF BOWLING GREEN
WOOD COUNTY**

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

| FEDERAL GRANTOR <i>Pass Through Grantor</i> | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|--|----------------------------------|---------------------------|---------------------------|
| Program Title | | | |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Direct Assistance | | | |
| Community Development Block Grants/Entitlement Grants (CDBG) Cluster | | | |
| Entitlement Grant | N/A | 14.218 | \$301,131 |
| CDBG Revolving Loans | N/A | 14.218 | <u>141,539</u> |
| Total Community Development Block Grants | | | 442,670 |
| ARRA - Community Development Block Grants/Entitlement Grants | N/A | 14.253 | <u>15,850</u> |
| Total Community Development Block Grant/Entitlement Grants Cluster | | | <u>458,520</u> |
| <i>Passed through Ohio Department of Development</i> | | | |
| Home Investment Partnerships Program Revolving Loans | N/A | 14.239 | <u>25,441</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>483,961</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| <i>Passed Through Ohio Department of Transportation</i> | | | |
| Highway Planning and Construction Grant | Grant Number 86465 | 20.205 | 24,689 |
| ARRA - Highway Planning and Construction Grant | Grant Number 87957 | 20.205 | <u>729,341</u> |
| Total Highway Planning and Construciton Grant | | | 754,030 |
| <i>Passed Through Ohio Department of Transportation</i> | | | |
| Formula Grants for Other than Urbanized Areas | RPT-4087-031-111 | 20.509 | 107,283 |
| | RPT-4087-031-112 | 20.509 | <u>154,258</u> |
| Total Formula Grants for Other than Urbanized Areas | | | 261,541 |
| Total U.S. Department of Transportation | | | <u>1,015,571</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | |
| <i>Passed Through Ohio Water Development Authority</i> | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | Grant Number 5242 | 66.468 | <u>1,129,438</u> |
| Total Federal Awards Expenditures | | | <u>\$2,628,970</u> |

The accompanying notes are an integral part of this schedule.

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**CITY OF BOWLING GREEN
WOOD COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule) when drawn from HUD. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, and are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2011, the gross amounts of loans outstanding under this program were \$419,232.

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

| | |
|--|-------------------------|
| Beginning loans receivable balance as of January 1, 2011 | \$447,209 |
| Loans Issued | 140,500 |
| Late fees added to Loan Balances | 1,289 |
| Loan principal repaid | (169,766) |
| Ending Loans receivable balance as of December 31, 2011 | <u>\$419,232</u> |
| Program Expenditures: | |
| Loans Issued in 2011 | \$140,500 |
| Administrative costs expended during 2011 | 1,039 |
| Other grants administered through the 14.218 program | 301,131 |
| Total CDBG 14.218 program expenditures | <u>\$442,670</u> |

NOTE C – DOWN PAYMENT ASSISTANCE (HOME) LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City, passed through the Ohio Department of Development. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are also included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. At December 31, 2011, the gross amounts of loans outstanding under this program were \$65,723. The City made no new loans under this program in 2011.

NOTE D – DOWN-PAYMENT ASSISTANCE AND/OR OWNER-OCCUPIED REHABILITATION

The City has established a revolving loan program to provide zero interest, forgivable, deferred payment loans to low-moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City, passed through the Ohio Department of Development. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, and are also included as disbursements on the Schedule.

The City worked with two properties with program costs totaling \$21,680 and \$3,761 in administrative expenditures under this program in 2011.

NOTE E - MATCHING REQUIREMENTS

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

NOTE F – FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS

Cash receipts from the U.S. Department of Transportation are commingled with local and State grants. It is assumed federal monies are expended first.



Dave Yost • Auditor of State

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

City of Bowling Green
Wood County
304 North Church Street
Bowling Green, Ohio 43402-2399

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 19, 2012.

City of Bowling Green
Wood County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

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

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

Dave Yost
Auditor of State

September 19, 2012



Dave Yost • Auditor of State

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

City of Bowling Green
Wood County
304 North Church Street
Bowling Green, Ohio 43402-2399

To the City Council:

Compliance

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

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

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

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

We noted a matter involving internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated September 19, 2012.

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



Dave Yost
Auditor of State

September 19, 2012

**CITY OF BOWLING GREEN
WOOD COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Community Development Block Grants Entitlement Grants – CFDA #14.218 ARRA – Community Development Block Grants Entitlement Grants CFDA #14.253 Capitalization Grants for Drinking Water State Revolving Funds - CFDA #66.468 Highway Planning and Construction Grant – CFDA #20.205 ARRA – Highway Planning and Construction Grant – CFDA #20.205 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

CITY OF BOWLING GREEN
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2011

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2010-001 | Material weakness due to errors in financial reporting. | Yes | |

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Dave Yost • Auditor of State

CITY OF BOWLING GREEN

WOOD 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 4, 2012**