



**CITY OF BOWLING GREEN
WOOD COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**CITY OF BOWLING GREEN
WOOD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Comparison - General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Comparison - Playground and Recreation Fund	24
Statement of Fund Net Assets - Proprietary Funds.....	25
Statement of Revenues, Expenses, and Change in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds.....	28
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	30
Notes to the Basic Financial Statements	31
Comparative Financial Statements:	
Comparative Balance Sheet - Enterprise Funds	72
Comparative Statement of Revenues, Expenses, and Change in Net Assets – Enterprise Funds	74
Comparative Statement of Cash Flows - Enterprise Funds	76
Schedule of Federal Awards Expenditures.....	81
Notes to the Schedule of Federal Awards Expenditures	83
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	85
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	87
Schedule of Findings.....	89
Corrective Action Plan.....	91

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**Auditor of State
Betty Montgomery**

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, 2004, 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, 2004, 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 February 28, 2006, 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The comparative enterprise fund financial statements listed in the table of contents provide additional information and are not a required part of the basic financial statements. The federal awards expenditure schedule is required by 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. We subjected the comparative enterprise fund financial statements and the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

February 28, 2006

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Key highlights for 2004 are as follows:

- In total, the City's net assets increased \$9,285,894, or just over 8 percent. Governmental activities experienced an increase in net assets of over \$2.7 million (over 7 percent) for 2004. This increase is the result of contributions from the Ohio Department of Transportation for the Wooster Street widening project, in the amount of \$2.7 million. Business-type activities experienced an increase in net assets of over \$6.5 million, over 8 percent.
- The City became a participant, along with ten other subdivisions, in a joint venture to provide low polluting capacity electricity. JV6, otherwise known as the Windpower Generation Project, consists of a total of four wind turbines located just west of Bowling Green on property owned by Wood County. Each wind turbine has the nominal capacity to generate 1.8 megawatts of electricity, which is enough power to supply approximately 785 homes.
- A review of the enterprise funds reflects operating losses for all three enterprise funds. An 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. This one-half percent tax was the result of a vote by the electors in 1971. Proceeds from the tax are receipted into a capital projects fund and used for various projects within these funds as needed. The amount contributed to each fund varies as the projects vary. A four percent electric rate increase in October 2004 will reduce or eliminate future Electric fund operating losses. Based on 2004 sales, this 4 percent increase will generate over \$1 million per year.

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, Community Center Capital Improvement, Electric, Water, and Sewer funds.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2004. 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:

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, Community Center Capital Improvement, 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 presents a summary of the City's net assets for 2004 and 2003.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Assets</u>						
Current and Other Assets	\$29,457,630	\$30,570,828	\$30,051,228	\$23,916,722	\$59,508,858	\$54,487,550
Capital Assets, Net	43,322,439	36,851,532	81,642,977	76,012,857	124,965,416	112,864,389
Total Assets	72,780,069	67,422,360	111,694,205	99,929,579	184,474,274	167,351,939
<u>Liabilities</u>						
Current and Other Liabilities	4,530,538	16,279,664	10,202,245	16,145,344	14,732,783	32,425,008
Long-Term Liabilities	28,416,167	14,013,723	19,622,112	8,495,890	48,038,279	22,509,613
Total Liabilities	32,946,705	30,293,387	29,824,357	24,641,234	62,771,062	54,934,621

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**Table 1
Net Assets
(continued)**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	\$31,404,564	\$29,470,429	\$69,267,289	\$64,091,580	\$100,671,853	\$92,812,009
Restricted	17,375,990	14,964,688		1,130,168	17,375,990	16,094,856
Unrestricted (Deficit)	(8,947,190)	(7,306,144)	12,602,559	10,066,597	3,655,369	3,510,453
Total Net Assets	<u>\$39,833,364</u>	<u>\$37,128,973</u>	<u>\$81,869,848</u>	<u>\$75,288,345</u>	<u>\$121,703,212</u>	<u>\$112,417,318</u>

As mentioned previously, the City's net assets for governmental activities increased over \$2.7 million in 2004. A review of the table above reveals significant changes within the capital asset category. Non-depreciable capital assets increased approximately \$5.2 million from two primary projects, the Wooster Street widening project and the Community Center construction. Depreciable capital assets increased \$1.2 million, predominately the result of street improvements for North Main Street, Newton Road, Martindale Road, and various additions for new subdivisions. Because a significant portion of the Wooster Street widening project was contributed by the Ohio Department of Transportation, the City realized an increase in invested in capital assets for this contribution.

The primary factor affecting the decrease in current liabilities of 72 percent is related to the retirement of bond anticipation notes. Most of the City's bond anticipation notes were converted to general obligation bonds in 2004; therefore, the corresponding increase in long-term liabilities. In addition, the City obtained a loan from the Ohio Water Development Authority (OWDA), in the amount of \$3.5 million, for a new 1 million gallon clearwell and high service pump, wastewater treatment plant expansion, and solids handling improvements (the proceeds of which were deposited into the Sewer and Water Improvement capital projects fund).

Both restricted and unrestricted net assets fluctuated as a result of the activities described above.

Business-type activities reflect an increase in net assets of over \$6.5 million. A review of the City's capital assets activity for 2004 will reflect an increase of over \$5.6 million, most of which will be found in electric, water, and sewer lines as well as expansion of the City's wastewater treatment plant.

Similar to governmental activities, bond anticipation notes were converted to bonds during 2004, thus the decrease in current and other liabilities and a corresponding increase in long-term liabilities. Long-term liabilities also increased for the City's portion of debt that was issued to acquire assets when JV6 was created.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for 2004 and 2003.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$2,768,307	\$2,472,563	\$34,379,624	\$31,382,859	\$37,147,931	\$33,855,422
Operating Grants, Contributions, and Interest	2,345,291	2,053,072			2,345,291	2,053,072
Capital Grants, Contributions, and Interest	5,672,806	792,959	1,714,600	1,071,070	7,387,406	1,864,029
Total Program Revenues	<u>10,786,404</u>	<u>5,318,594</u>	<u>36,094,224</u>	<u>32,453,929</u>	<u>46,880,628</u>	<u>37,772,523</u>
General Revenues						
Property Taxes-General Purposes	1,450,106	1,365,233			1,450,106	1,365,233
Property Taxes-Playground and Recreation	535,842	504,072			535,842	504,072
Municipal Income Taxes	13,834,072	13,028,773			13,834,072	13,028,773
Other Local Taxes	1,857,140	1,838,772			1,857,140	1,838,772
Grants and Entitlements not Restricted to Specific Programs	2,245,841	2,175,328			2,245,841	2,175,328
Franchise Fees	205,183	186,828			205,183	186,828
Interest	321,398	369,323	155,139	106,164	476,537	475,487
Other	556,392	317,654	1,472,077	1,447,186	2,028,469	1,764,840
Investment in Joint Venture			249,948	17,740	249,948	17,740
Total General Revenues	<u>21,005,974</u>	<u>19,785,983</u>	<u>1,877,164</u>	<u>1,571,090</u>	<u>22,883,138</u>	<u>21,357,073</u>
Total Revenues	<u>31,792,378</u>	<u>25,104,577</u>	<u>37,971,388</u>	<u>34,025,019</u>	<u>69,763,766</u>	<u>59,129,596</u>
<u>Program Expenses</u>						
Security of Persons and Property						
Police	4,531,266	4,411,828			4,531,266	4,411,828
Fire	4,652,946	4,311,967			4,652,946	4,311,967
Ambulance	206,983	261,552			206,983	261,552
Public Health	40,124	50,894			40,124	50,894
Leisure Time Activities	1,176,403	1,188,054			1,176,403	1,188,054
Community Environment	933,526	663,845			933,526	663,845
Basic Utility Services	802,975	513,719			802,975	513,719
Transportation	4,651,215	2,886,672			4,651,215	2,886,672
General Government						
Court	1,584,715	1,312,812			1,584,715	1,312,812
Other	3,637,345	3,705,274			3,637,345	3,705,274
Internal Service Fund External Portion	36,435	33,740			36,435	33,740
Interest and Fiscal Charges	980,723	877,958			980,723	877,958
Electric			29,078,682	25,995,908	29,078,682	25,995,908
Water			3,997,239	3,801,245	3,997,239	3,801,245
Sewer			4,167,295	4,564,825	4,167,295	4,564,825
Total Expenses	<u>23,234,656</u>	<u>20,218,315</u>	<u>37,243,216</u>	<u>34,361,978</u>	<u>60,477,872</u>	<u>54,580,293</u>

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Increase (Decrease) in Net Assets before Transfers	8,557,722	4,886,262	728,172	(336,959)	9,285,894	4,549,303
Transfers	<u>(5,853,331)</u>	<u>(4,597,400)</u>	<u>5,853,331</u>	<u>4,597,400</u>		
Increase in Net Assets	<u>\$2,704,391</u>	<u>\$288,862</u>	<u>\$6,581,503</u>	<u>\$4,260,441</u>	<u>\$9,285,894</u>	<u>\$4,549,303</u>

Program revenues represent approximately 34 percent of total revenues for governmental activities, and for 2004, program revenues were more than double those of the prior year. Once again, this is primarily the result of resources received from the Ohio Department of Transportation for Wooster Street and reflected as part of capital grants, contributions, and interest. While program revenues provide considerable assistance in the provision of governmental services, the burden of governmental support is provided by general revenues such as property taxes, municipal income taxes, and unrestricted grants and entitlements. By far, the City's largest revenue source is municipal income taxes which provides 66 percent of general revenues and 43 percent of total revenues overall. It is also important to point out that municipal income tax collections increased over 6 percent from 2003. Property taxes only represent 6 percent of total revenues and were the City's sixth largest revenue source, surpassed by charges for services, operating and capital grants/contributions, and unrestricted grants and entitlements.

Not surprisingly, the largest governmental activities expenses are related to the police and fire departments, combining for 40 percent of overall expenses. In general, expenses for all of the City's programs were fairly comparable to 2003; however, transportation expenses increased 61 percent. Various street projects including North Main Street, Newton Road, and Martindale Road, as well as routine maintenance led to this increase.

As expected, program revenues make up a significant portion of the total revenues for business-type activities. Both charges for services and capital grants and contributions amounts were up in 2004 from utility rate increases and developer contributions.

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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Security of Persons and Property				
Police	\$4,531,266	\$4,411,828	\$4,282,484	\$4,237,611
Fire	4,652,946	4,311,967	4,640,189	4,287,963
Ambulance	206,983	261,552	(66,119)	100,334
Public Health	40,124	50,894	(14,696)	22,544
Leisure Time Activities	1,176,403	1,188,054	839,702	885,993
Community Environment	933,526	663,845	176,534	(338,279)
Basic Utility Services	802,975	513,719	721,307	472,707
Transportation	4,651,215	2,886,672	(2,647,609)	1,036,937
General Government				
Court	1,584,715	1,312,812	151,328	(130,032)
Other	3,637,345	3,705,274	3,407,940	3,450,393
Internal Service Fund External Portion	36,435	33,740	(23,531)	(4,408)
Interest and Fiscal Charges	980,723	877,958	980,723	877,958
Total Expenses	\$23,234,656	\$20,218,315	\$12,448,252	\$14,899,721

While overall general revenues provide for over 66 percent of the services provided through governmental activities, a review of the table above reflects how some services require this support more than others. For instance, over 94 percent of police, 99 percent of fire, and 93 of general government-other activities must be provided for through general revenues. However, several programs are able to utilize program revenues to offset the costs of providing the service. For 2004, billing for ambulance services exceeded the costs of providing this service. Likewise, program revenues exceeded costs for the public health program. This program is funded by the sale of cemetery lots, burials, cemetery foundations, and animal pick-up fees. The leisure time activities program costs are supported by admission and sports fees, rentals, and concessions charges. The transportation program receives charges for services in the form of permissive motor vehicle license fees and operating grants in the form of State levied motor vehicle and gas taxes. During 2004, the City also received substantial resources from the Ohio Department of Transportation for street construction projects.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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 Community Center Capital Improvement capital projects funds. Again for 2004, the General Fund had an increase in fund balance. While both revenues and expenditures increased slightly from the prior year, revenues continue to exceed expenditures and transfers to support other funds decreased over \$450,000. Revenues exceeded expenditures for both the Playground and Recreation special revenue fund and Sewer and Water Improvement capital projects fund as well in 2004. This is a turnaround from the prior year for both funds. The fund balance in the Community Center Capital Improvement capital projects fund balance decreased by 70 percent resulting from on-going construction activity.

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 loss for all three funds. 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 2004, these contributions were \$619,605 in the Water fund and \$5,233,726 in the Sewer fund.

During 2004, the Electric fund experienced an operating loss, even with electric rates increasing in October 2004. As stated earlier, the additional income over a one-year period from this 4 percent rate increase should account for over \$1 million based on 2004 sales. Obviously, this situation will continue to be closely monitored. The current Utility Director, Daryl Stockburger, will be retiring effective September 30, 2005, after 18 years of service with the City of Bowling Green. His replacement will be challenged to determine if a recommendation will need to be made for an additional electric rate increase.

Water fund revenues have not met projected growth rates in recent years. As a result, the Board of Utilities adopted a 10 percent rate increase in January 2005. Water rates had not increased since 2000.

Revenue projections have exceeded actual collections in recent years for the Sewer fund. The Board of Utilities adopted a 10 percent rate increase effective in January 2005 for this fund as well. Sewer rates had not increased since 1994.

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. Modifications from the original to the final budget have been minimal as departments keep within their budgets. Changes from the final budget to actual expenditures include reductions made throughout the year as staff became aware that these appropriations would not be necessary. The change in fund balance for the General Fund was 18 percent. This change can be attributed to fluctuation in intergovernmental revenues due to inheritance taxes received. In addition, general government-other had a \$1,451,124 variance over the final budget due in large part to projects not progressing as budgeted. Dollars had been budgeted for engineering and possible land acquisition for the new I-75 interchange (to be located north of Bowling Green) as well as a new city hall. Movement on these projects has slowed significantly.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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, 2004, was \$31,404,564 and \$69,267,289, 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 consisted primarily of construction of the Community Center and Wooster Street widening project. Disposals were minimal. The most significant change for business-type activities was the addition of electric, water, and sewer lines as well as the construction of improvements at the wastewater treatment plant. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2004, the City had \$402,500 in bond anticipation notes, \$11,786,632 in general obligation bonds, and \$15,436,529 in OWDA loans payable from governmental activities. Business-type activities had \$6,118,500 in bond anticipation notes and \$5,995,000 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$12,386,029, 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 18, 19, and 20 to the basic financial statements.

CURRENT ISSUES

The City is currently involved in a partnership with the State of Ohio National Guard and the Wood County Board of MRDD in the construction of the National Guard Readiness and Community Center. The facility cost to date is approaching \$11 million. With this partnership, Bowling Green's share of the cost of this facility is approximately \$4.4 million. Bowling Green's share was additionally supported through a \$1 million grant from the State of Ohio, further reducing the costs to the citizens of our community. This collaboration has provided an opportunity to serve various constituents of each of the partners in an economical fashion. The grand opening of this new facility is slated for August 2005.

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 Rebecca Underwood, Bowling Green Finance Director, 304 North Church Street, Bowling Green, Ohio 43402.

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**Statement of Net Assets
December 31, 2004**

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$19,773,895	\$11,593,381	\$31,367,276
Cash and Cash Equivalents in Segregated Accounts	2,062		2,062
Cash and Cash Equivalents with Escrow Agents	18,452		18,452
Accounts Receivable	461,170	3,784,269	4,245,439
Accrued Interest Receivable	33,566	17,791	51,357
Due from Other Governments	1,756,682		1,756,682
Municipal Income Taxes Receivable	3,583,361		3,583,361
Other Local Taxes Receivable	28,650		28,650
Internal Balances	98,626	(98,626)	
Prepaid Items	120,437	106,827	227,264
Materials and Supplies Inventory		854,928	854,928
Property Taxes Receivable	2,040,315		2,040,315
Notes Receivable	659,893		659,893
Special Assessments Receivable	721,896		721,896
Unamortized Bond Issuance Cost	158,625	81,944	240,569
Nondepreciable Capital Assets	11,828,511	7,682,267	19,510,778
Depreciable Capital Assets, Net	31,493,928	73,960,710	105,454,638
Investment in Joint Venture		13,710,714	13,710,714
Total Assets	72,780,069	111,694,205	184,474,274
Liabilities			
Accrued Wages Payable	465,437	201,510	666,947
Accounts Payable	583,460	3,546,639	4,130,099
Contracts Payable	167,804		167,804
Due to Other Governments	817,826	309,506	1,127,332
Matured Compensated Absences Payable	18,221		18,221
Retainage Payable	43,516		43,516
Accrued Interest Payable	33,231	26,090	59,321
Notes Payable	402,500	6,118,500	6,521,000
Deferred Revenue	1,998,543		1,998,543
Long-Term Liabilities			
Due Within One Year	3,387,929	1,018,634	4,406,563
Due in More Than One Year	25,028,238	18,603,478	43,631,716
Total Liabilities	32,946,705	29,824,357	62,771,062
Net Assets			
Invested in Capital Assets, Net of Related Debt Restricted for	31,404,564	69,267,289	100,671,853
Debt Service	631,852		631,852
Capital Projects	10,686,566		10,686,566
Other Purposes	6,057,572		6,057,572
Unrestricted (Deficit)	(8,947,190)	12,602,559	3,655,369
Total Net Assets	\$39,833,364	\$81,869,848	\$121,703,212

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Statement of Activities
For the Year Ended December 31, 2004**

	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities</u>			
Security of Persons and Property			
Police	\$4,531,266	\$119,211	\$129,571
Fire	4,652,946	4,226	7,860
Ambulance	206,983	273,102	
Public Health	40,124	54,194	626
Leisure Time Activities	1,176,403	253,874	82,827
Community Environment	933,526	36,655	720,337
Basic Utility Services	802,975	81,668	
Transportation	4,651,215	478,509	1,204,781
General Government			5,615,534
Court	1,584,715	1,239,975	184,437
Other	3,637,345	188,925	14,852
Internal Service Fund			
External Portion	36,435	37,968	
Interest and Fiscal Charges	980,723		21,998
Total Governmental Activities	23,234,656	2,768,307	2,345,291
<u>Business-Type Activities</u>			
Electric	29,078,682	27,771,541	
Water	3,997,239	3,181,587	788,789
Sewer	4,167,295	3,426,496	925,811
Total Business-Type Activities	37,243,216	34,379,624	1,714,600
Total	\$60,477,872	\$37,147,931	\$2,345,291

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Playground and Recreation
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Fees
Interest
Other
Investment in Joint Venture

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (Note 3)

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
(\$4,282,484)		(\$4,282,484)
(4,640,189)		(4,640,189)
66,119		66,119
14,696		14,696
(839,702)		(839,702)
(176,534)		(176,534)
(721,307)		(721,307)
2,647,609		2,647,609
(151,328)		(151,328)
(3,407,940)		(3,407,940)
23,531		23,531
(980,723)		(980,723)
<u>(12,448,252)</u>		<u>(12,448,252)</u>
	(\$1,307,141)	(1,307,141)
	(26,863)	(26,863)
	<u>185,012</u>	<u>185,012</u>
	<u>(1,148,992)</u>	<u>(1,148,992)</u>
<u>(12,448,252)</u>	<u>(1,148,992)</u>	<u>(13,597,244)</u>
1,450,106		1,450,106
535,842		535,842
13,834,072		13,834,072
1,857,140		1,857,140
2,245,841		2,245,841
205,183		205,183
321,398	155,139	476,537
556,392	1,472,077	2,028,469
	<u>249,948</u>	<u>249,948</u>
<u>21,005,974</u>	<u>1,877,164</u>	<u>22,883,138</u>
<u>(5,853,331)</u>	<u>5,853,331</u>	
2,704,391	6,581,503	9,285,894
<u>37,128,973</u>	<u>75,288,345</u>	<u>112,417,318</u>
<u>\$39,833,364</u>	<u>\$81,869,848</u>	<u>\$121,703,212</u>

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Balance Sheet
Governmental Funds
December 31, 2004**

	General	Playground and Recreation	Sewer and Water Improvement	Community Center Capital Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$4,939,696	\$337,143	\$5,249,805	\$1,208,478	\$7,925,685	\$19,660,807
Cash and Cash Equivalents in Segregated Accounts					2,062	2,062
Accounts Receivable	449,699		6,850		1,293	457,842
Accrued Interest Receivable	33,504				62	33,566
Due from Other Governments	1,110,867	29,444	25,496		590,875	1,756,682
Municipal Income Taxes Receivable	1,399,661	93,217	933,014		1,157,469	3,583,361
Other Local Taxes Receivable	28,650					28,650
Interfund Receivable	592,673					592,673
Prepaid Items	120,437					120,437
Restricted Assets						
Equity in Pooled Cash and Cash Equivalents	23,207					23,207
Cash and Cash Equivalents with Escrow Agents	3,374		8,578		6,500	18,452
Property Taxes Receivable	1,490,688	549,627				2,040,315
Notes Receivable					659,893	659,893
Special Assessments Receivable					721,896	721,896
Total Assets	\$10,192,456	\$1,009,431	\$6,223,743	\$1,208,478	\$11,065,735	\$29,699,843
<u>Liabilities and Fund Balance</u>						
<u>Liabilities</u>						
Accrued Wages Payable	\$307,314	\$19,206			\$130,053	\$456,573
Accounts Payable	380,113	7,748	\$77,782		113,841	579,484
Contracts Payable	4,810		162,994			167,804
Due to Other Governments	413,189	19,282			377,407	809,878
Interfund Payable	44,049	466,476			5,170	515,695
Matured Compensated Absences Payable		18,221				18,221
Retainage Payable			25,064			25,064
Deferred Revenue	3,060,823	604,266	277,676		1,531,232	5,473,997
Liabilities Payable from Restricted Assets						
Retainage Payable	3,374		8,578		6,500	18,452
Total Liabilities	4,213,672	1,135,199	552,094		2,164,203	8,065,168
<u>Fund Balance</u>						
Reserved for Unclaimed Monies	23,207					23,207
Reserved for Notes Receivable					481,201	481,201
Reserved for Interfund	463,600					463,600
Reserved for Encumbrances	319,902	33,181	4,005,034		710,245	5,068,362
Unreserved, Reported in						
General Fund	5,172,075					5,172,075
Special Revenue Funds		(158,949)			4,815,465	4,656,516
Debt Service Fund					55,819	55,819
Capital Projects Funds			1,666,615	1,208,478	2,838,802	5,713,895
Total Fund Balance (Deficit)	5,978,784	(125,768)	5,671,649	1,208,478	8,901,532	21,634,675
Total Liabilities and Fund Balance	\$10,192,456	\$1,009,431	\$6,223,743	\$1,208,478	\$11,065,735	\$29,699,843

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
December 31, 2004**

Total Governmental Fund Balance		\$21,634,675
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	43,322,439	
Internal Service Fund	<u>(39,555)</u>	43,282,884
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	414,176	
Accrued Interest Receivable	27,847	
Due from Other Governments	1,294,655	
Municipal Income Taxes Receivable	968,529	
Other Local Taxes Receivable	6,579	
Property Taxes Receivable	41,772	
Special Assessments Receivable	<u>721,896</u>	3,475,454
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		
		(5,106)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		
		158,625
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(33,231)	
Notes Payable	(402,500)	
General Obligation Bonds Payable	(11,786,632)	
OWDA Loans Payable	(15,436,529)	
Compensated Absences Payable	(1,193,006)	
Compensated Absences Payable-Internal Service Fund	<u>59,998</u>	(28,791,900)
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.		
		<u>78,732</u>
Net Assets of Governmental Activities		<u><u>\$39,833,364</u></u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2004**

	General	Playground and Recreation	Sewer and Water Improvement	Community Center Capital Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>						
Property Taxes	\$1,432,511	\$529,526				\$1,962,037
Municipal Income Taxes	5,325,910	355,667	\$3,557,061		\$4,407,364	13,646,002
Other Local Taxes	2,046,760				174,516	2,221,276
Special Assessments					44,254	44,254
Charges for Services	1,175,580	253,874			221,382	1,650,836
Fees, Licenses, and Permits	73,808		81,533		8,014	163,355
Fines and Forfeitures	527,299				223,305	750,604
Intergovernmental	2,636,198	84,758			1,833,409	4,554,365
Interest	290,800	8		\$25,628	89,259	405,695
Other	213,630	130,233			212,429	556,292
Total Revenues	13,722,496	1,354,066	3,638,594	25,628	7,213,932	25,954,716
<u>Expenditures</u>						
Current:						
Security of Persons and Property						
Police	3,166,891				1,227,053	4,393,944
Fire	2,343,241				2,151,580	4,494,821
Ambulance	91,052				80,078	171,130
Public Health	52,531				19,691	72,222
Leisure Time Activities		1,167,999				1,167,999
Community Environment	448,264				481,283	929,547
Basic Utility Services	551,234					551,234
Transportation	2,054,822				1,228,417	3,283,239
General Government						
Court	1,154,532				198,866	1,353,398
Other	3,181,125	33,923			135,178	3,350,226
Other	623					623
Capital Outlay			4,835,469	2,831,991	1,630,222	9,297,682
Debt Service						
Principal Retirement			1,258,833	3,850,000	8,542,999	13,651,832
Interest and Fiscal Charges			651,866	123,909	234,729	1,010,504
Total Expenditures	13,044,315	1,201,922	6,746,168	6,805,900	15,930,096	43,728,401
Excess of Revenues Over (Under) Expenditures	678,181	152,144	(3,107,574)	(6,780,272)	(8,716,164)	(17,773,685)
<u>Other Financing Sources (Uses)</u>						
Sale of Capital Assets					3,052	3,052
Notes Issued					340,000	340,000
Bonds Issued				3,950,000	7,795,000	11,745,000
OWDA Loans Issued			3,809,727			3,809,727
Premium on Bonds Issued				38,337	75,654	113,991
Issuance Costs on Bonds Issued				(53,992)	(106,547)	(160,539)
Transfers In					268,659	268,659
Transfers Out	(94,161)	(27,000)			(147,498)	(268,659)
Total Other Financing Sources (Uses)	(94,161)	(27,000)	3,809,727	3,934,345	8,228,320	15,851,231
Change in Fund Balance	584,020	125,144	702,153	(2,845,927)	(487,844)	(1,922,454)
Fund Balance (Deficit) Beginning of Year (Restated - Note 3)	5,394,764	(250,912)	4,969,496	4,054,405	9,389,376	23,557,129
Fund Balance (Deficit) End of Year	\$5,978,784	(\$125,768)	\$5,671,649	\$1,208,478	\$8,901,532	\$21,634,675

See Accompanying Notes to the Basic Financial Statements

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures,
and Change in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2004**

Change in Fund Balance - Total Governmental Funds (\$1,922,454)

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	3,013,087	
Capital Contributions	5,433,008	
Capital Contributions-Internal Service Fund	21,998	
Depreciation	(1,986,619)	
Depreciation-Internal Service Fund	<u>7,643</u>	6,489,117

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Sale of Capital Assets	(3,052)	
Loss on Disposal of Capital Assets	<u>(7,515)</u>	(10,567)

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

Property Taxes	23,911	
Municipal Income Taxes	188,070	
Other Local Taxes	15,563	
Special Assessments	(42,174)	
Charges for Services	24,879	
Fees, Licenses, and Permits	(610)	
Fines and Forfeitures	219	
Intergovernmental	125,826	
Interest	8,904	
Other	<u>100</u>	344,688

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	12,272,500	
General Obligation Bonds Payable	183,000	
OWDA Loans Payable	<u>1,196,332</u>	13,651,832

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

Bond Anticipation Notes Issued	(340,000)	
General Obligation Bonds Issued	(11,745,000)	
OWDA Loans Issued	<u>(3,809,727)</u>	(15,894,727)

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.

Premium on Bonds Issued	(113,991)	
Amortization of Premium	1,359	
Accrued Interest Payable	<u>30,336</u>	(82,296)

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures,
and Change in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2004
(continued)**

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.

Issuance Costs on Bonds Issued	\$ 160,539	
Amortization of Issuance Costs	<u>(1,914)</u>	158,625

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.

Due to Other Governments	68,047	
Compensated Absences Payable	(114,417)	
Compensated Absences Payable - Internal Service Fund	<u>2,597</u>	(43,773)

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.

12,413

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.

1,533

Change in Net Assets of Governmental Activities

\$2,704,391

See Accompanying Notes to the Basic Financial Statements

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,190,635	\$1,475,273	\$1,424,325	(\$50,948)
Municipal Income Taxes	5,112,656	5,002,000	5,279,734	277,734
Other Local Taxes	1,850,000	1,954,857	1,921,399	(33,458)
Charges for Services	1,825,500	1,062,477	1,167,006	104,529
Fees, Licenses, and Permits	550,600	50,300	73,508	23,208
Fines and Forfeitures		535,000	527,670	(7,330)
Intergovernmental	871,329	1,923,746	2,870,471	946,725
Interest		425,000	375,915	(49,085)
Other	399,919	25,602	216,294	190,692
Total Revenues	11,800,639	12,454,255	13,856,322	1,402,067
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	3,445,581	3,451,581	3,175,994	275,587
Fire	2,472,726	2,502,786	2,331,003	171,783
Ambulance	164,392	144,317	99,383	44,934
Public Health	58,353	58,353	51,930	6,423
Community Environment	580,965	580,965	500,919	80,046
Basic Utility Services	592,430	606,430	574,062	32,368
Transportation	2,304,130	2,319,950	2,087,601	232,349
General Government				
Court	1,291,491	1,291,491	1,151,288	140,203
Other	4,631,140	4,664,966	3,213,842	1,451,124
Other		1,000	623	377
Total Expenditures	15,541,208	15,621,839	13,186,645	2,435,194
Excess of Revenues Over (Under) Expenditures	(3,740,569)	(3,167,584)	669,677	3,837,261
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	57,950	5,500	5,591	91
Transfers In		184,266	57,950	(126,316)
Transfers Out		(94,161)	(94,161)	
Total Other Financing Sources (Uses)	57,950	95,605	(30,620)	(126,225)
Change in Fund Balance	(3,682,619)	(3,071,979)	639,057	3,711,036
Fund Balance Beginning of Year	3,549,972	3,549,972	3,549,972	
Prior Year Encumbrances Appropriated	239,772	239,772	239,772	
Fund Balance End of Year	\$107,125	\$717,765	\$4,428,801	\$3,711,036

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN
WOOD COUNTY**

**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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$528,049	\$523,375	\$526,178	\$2,803
Municipal Income Taxes	340,503	333,447	351,944	18,497
Charges for Services	248,998	287,769	254,490	(33,279)
Intergovernmental	58,672	66,109	84,758	18,649
Interest			11	11
Other	138,792	133,197	130,233	(2,964)
Total Revenues	1,315,014	1,343,897	1,347,614	3,717
<u>Expenditures</u>				
Current:				
Leisure Time Activities	1,446,052	1,446,052	1,203,575	242,477
General Government				
Other	13,963	16,347	15,744	603
Total Expenditures	1,460,015	1,462,399	1,219,319	243,080
Excess of Revenues Over (Under) Expenditures	(145,001)	(118,502)	128,295	246,797
<u>Other Financing Sources (Uses)</u>				
Proceeds of Notes		120,000		(120,000)
Transfers Out	(84,950)	(84,950)	(84,950)	
Total Other Financing Sources (Uses)	(84,950)	35,050	(84,950)	(120,000)
Change in Fund Balance	(229,951)	(83,452)	43,345	126,797
Fund Balance Beginning of Year	180,758	180,758	180,758	
Prior Year Encumbrances Appropriated	75,979	75,979	75,979	
Fund Balance End of Year	\$26,786	\$173,285	\$300,082	\$126,797

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Statement of Fund Net Assets
Proprietary Funds
December 31, 2004**

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,712,671	\$4,722,722	\$3,157,988	\$11,593,381	\$89,881
Accounts Receivable	3,041,740	374,676	367,853	3,784,269	3,328
Accrued Interest Receivable	5,190	1,692	10,909	17,791	
Interfund Receivable	17,497	14,359	18,447	50,303	27,006
Prepaid Items	41,054	32,460	33,313	106,827	
Materials and Supplies Inventory	662,716	172,276	19,936	854,928	
Total Current Assets	7,480,868	5,318,185	3,608,446	16,407,499	120,215
<u>Non-Current Assets</u>					
Unamortized Bond Issuance Cost	10,730	15,719	55,495	81,944	
Nondepreciable Capital Assets	451,543	367,662	6,863,062	7,682,267	
Depreciable Capital Assets, Net	16,676,672	27,130,755	30,153,283	73,960,710	39,555
Investment in Joint Venture	13,710,714			13,710,714	
Total Non-Current Assets	30,849,659	27,514,136	37,071,840	95,435,635	39,555
Total Assets	38,330,527	32,832,321	40,680,286	111,843,134	159,770
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	107,693	46,142	47,675	201,510	8,864
Accounts Payable	3,154,690	278,912	113,037	3,546,639	3,976
Due to Other Governments	222,381	41,190	45,935	309,506	7,948
Interfund Payable	132,680	4,470	16,885	154,035	252
Accrued Interest Payable	13,243	2,836	10,011	26,090	
Notes Payable	6,056,000		62,500	6,118,500	
General Obligation Bonds Payable	60,000	45,000	165,000	270,000	
Compensated Absences Payable	175,805	79,041	80,320	335,166	
Capital Leases Payable			73,667	73,667	
AMP Ohio Payable	339,801			339,801	
Total Current Liabilities	10,262,293	497,591	615,030	11,374,914	21,040
<u>Non-Current Liabilities</u>					
General Obligation Bonds Payable	732,619	1,116,161	3,934,404	5,783,184	
Compensated Absences Payable	238,070	154,349	169,367	561,786	59,998
Capital Leases Payable			212,280	212,280	
AMP Ohio Payable	12,046,228			12,046,228	
Total Non-Current Liabilities	13,016,917	1,270,510	4,316,051	18,603,478	59,998
Total Liabilities	23,279,210	1,768,101	4,931,081	29,978,392	81,038
<u>Net Assets</u>					
Invested in Capital Assets, Net of Related Debt Unrestricted	10,290,326	26,352,975	32,623,988	69,267,289	39,555
	4,760,991	4,711,245	3,125,217	12,597,453	39,177
Total Net Assets	\$15,051,317	\$31,064,220	\$35,749,205	81,864,742	\$78,732

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.

5,106

Net assets of business-type activities

\$81,869,848

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, 2004

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Operating Revenues</u>					
Charges for Services	\$26,147,905	3,186,522	\$3,430,373	\$32,764,800	\$378,466
Other	1,160,240	34,976	276,861	1,472,077	1,213
Total Operating Revenues	<u>27,308,145</u>	<u>3,221,498</u>	<u>3,707,234</u>	<u>34,236,877</u>	<u>379,679</u>
<u>Operating Expenses</u>					
Purchased Power	21,921,610			21,921,610	
Plant Operation		829,058	813,181	1,642,239	
Plant Maintenance		301,536	434,938	736,474	
Distribution Operation	1,326,727	374,214	163,553	1,864,494	
Distribution Maintenance	1,261,787	402,804	422,756	2,087,347	
Customer Account Collection	261,813	96,501	107,680	465,994	
Administrative and General	1,332,347	725,216	1,160,872	3,218,435	
Depreciation	1,245,557	1,132,947	940,130	3,318,634	7,643
Other					356,711
Total Operating Expenses	<u>27,349,841</u>	<u>3,862,276</u>	<u>4,043,110</u>	<u>35,255,227</u>	<u>364,354</u>
Operating Income (Loss)	<u>(41,696)</u>	<u>(640,778)</u>	<u>(335,876)</u>	<u>(1,018,350)</u>	<u>15,325</u>
<u>Non-Operating Revenues (Expenses)</u>					
Loss on Disposal of Capital Assets	(2,304)	(108,137)	(19,430)	(129,871)	
Grants	35,000			35,000	
Excise Taxes	1,601,863			1,601,863	
Excise Tax Expense	(1,624,690)			(1,624,690)	
Interest Revenue	41,451	66,382	47,306	155,139	
Interest Expense	(105,633)	(30,699)	(120,514)	(256,846)	
Investment in Joint Venture	249,948			249,948	
Total Non-Operating Revenues (Expenses)	<u>195,635</u>	<u>(72,454)</u>	<u>(92,638)</u>	<u>30,543</u>	
Income (loss) before Contributions	153,939	(713,232)	(428,514)	(987,807)	15,325
Capital Contributions		1,408,394	6,159,537	7,567,931	21,998
Change in Net Assets	153,939	695,162	5,731,023	6,580,124	37,323
Net Assets Beginning of Year - Restated (note 3)	<u>14,897,378</u>	<u>30,369,058</u>	<u>30,018,182</u>		<u>41,409</u>
Net Assets End of Year	<u>\$15,051,317</u>	<u>\$31,064,220</u>	<u>\$35,749,205</u>		<u>\$78,732</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 income of the internal service fund.				<u>1,379</u>	
Change in net assets of business-type activities				<u>\$6,581,503</u>	

See Accompanying Notes to the Basic Financial Statements

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004**

	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	\$25,326,120	\$3,121,151	\$3,357,931	\$31,805,202	
Cash Received from Transactions with Other Funds					\$376,336
Cash Payments for Purchased Power	(21,589,189)			(21,589,189)	
Cash Payments for Plant Operation		(677,780)	(839,333)	(1,517,113)	
Cash Payments for Plant Maintenance		(288,354)	(435,408)	(723,762)	
Cash Payments for Distribution Operation	(1,112,567)	(394,910)	(171,255)	(1,678,732)	
Cash Payments for Distribution Maintenance	(1,307,711)	(399,640)	(407,810)	(2,115,161)	
Cash Payments for Customer Account Collection	(279,112)	(91,675)	(91,667)	(462,454)	
Cash Payments for Administrative and General	(1,066,062)	(745,068)	(1,157,405)	(2,968,535)	
Cash Received from Other Revenues	951,830	34,976	276,861	1,263,667	1,213
Cash Payments for Other Expenses					(347,407)
Net Cash Provided by Operating Activities	923,309	558,700	531,914	2,013,923	30,142
<u>Cash Flows from Noncapital Financing Activities</u>					
Cash Received from Excise Taxes	1,624,690			1,624,690	
Cash Payments for Excise Tax Distribution	(1,624,690)			(1,624,690)	
Grants	35,000			35,000	
Net Cash Provided by Noncapital Financing Activities	35,000			35,000	
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(7,361,000)	(1,270,000)	(4,192,500)	(12,823,500)	
Principal Paid on General Obligation Bonds	(50,000)		(170,000)	(220,000)	
Principal Paid on Capital Leases			(78,182)	(78,182)	
Interest Paid on Bond Anticipation Notes	(103,448)	(35,471)	(124,132)	(263,051)	
Interest Paid on Capital Leases			(9,167)	(9,167)	
Premium on General Obligation Bonds Issued	8,104	11,161	41,054	60,319	
Issuance Cost on General Obligation Bonds Issued	(11,413)	(15,719)	(57,819)	(84,951)	
Proceeds of Bonds	835,000	1,150,000	4,230,000	6,215,000	
Proceeds of Notes	6,056,000			6,056,000	
Acquisition of Capital Assets	(676,774)	(620,923)	(14,313)	(1,312,010)	
Net Cash Used for Capital and Related Financing Activities	(1,303,531)	(780,952)	(375,059)	(2,459,542)	
<u>Cash Flows from Investing Activities</u>					
Interest	36,792	65,394	36,397	138,583	
Net Increase (Decrease) in Cash and Cash Equivalents	(308,430)	(156,858)	193,252	(272,036)	30,142
Cash and Cash Equivalents Beginning of Year	4,021,101	4,879,580	2,964,736	11,865,417	59,739
Cash and Cash Equivalents End of Year	\$3,712,671	\$4,722,722	\$3,157,988	\$11,593,381	\$89,881

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004
(continued)**

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Reconciliation of Operating Income (Loss) to Net</u>					
<u>Cash Provided by Operating Activities</u>					
Operating Income (Loss)	(\$41,696)	(\$640,778)	(\$335,876)	(\$1,018,350)	\$15,325
<u>Adjustments to Reconcile Operating Income (Loss) to Net</u>					
<u>Cash Provided by Operating Activities</u>					
Depreciation	1,245,557	1,132,947	940,130	3,318,634	7,643
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(1,026,684)	(64,049)	(66,807)	(1,157,540)	293
Increase in Interfund Receivable	(3,511)	(1,322)	(5,635)	(10,468)	(2,423)
Increase in Prepaid Items	(14,380)	(7,455)	(7,441)	(29,276)	
(Increase) Decrease in Materials and Supplies Inventory	159,155	(23,092)	3,788	139,851	
Increase in Accrued Wages Payable	41,438	11,687	10,018	63,143	2,293
Increase in Accounts Payable	422,226	166,690	35,825	624,741	3,728
Increase in Due to Other Governments	148,630	2,773	1,358	152,761	882
Increase (Decrease) in Interfund Payable	128,967	721	1,773	131,461	(196)
Increase (Decrease) in Compensated Absences Payable	(136,393)	(19,422)	(45,219)	(201,034)	2,597
Net Cash Provided by Operating Activities	<u>\$923,309</u>	<u>\$558,700</u>	<u>\$531,914</u>	<u>\$2,013,923</u>	<u>\$30,142</u>

Non-Cash Capital Financing Activities:

During 2004, the Sewer enterprise fund entered into a new capital lease for equipment. This lease has been capitalized in the fund, in the amount of \$198,684.

During 2004, the Water and Sewer enterprise funds received capital assets donated by developers and private contractors, in the amount of \$788,789 and \$925,811, respectively. The Water and Sewer enterprise funds also received capital assets that were constructed in the City's governmental funds, in the amount of \$619,605 and \$5,233,726, respectively.

The Engineering internal service fund received assets that were purchased by governmental funds, in the amount of \$21,998.

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004**

<u>Assets</u>	
Cash and Cash Equivalents in Segregated Accounts	\$253,565
Special Assessments Receivable	<u>71,539</u>
Total Assets	<u><u>\$325,104</u></u>
 <u>Liabilities</u>	
Undistributed Assets	<u><u>\$325,104</u></u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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 2004.

The City participates in a public entity shared risk pool, an insurance purchasing pool, and three joint ventures. These organizations are the Buckeye Ohio Risk Management Agency (BORMA), the North Central Ohio Municipal Finance Officers' 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), and the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6). These organizations are presented in Notes 22 and 23 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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 on grants 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

Playground and Recreation Fund - The Playground and Recreation Fund accounts for charges for services, property taxes, and income taxes used to maintain parks and playgrounds and to provide 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 used for various sewer and water improvements.

Community Center Capital Improvement - The Community Center Capital Improvement Fund accounts for the City's portion of the construction of the Bowling Green National Guard Readiness and Community Center.

The other governmental funds of the City account for grants and other resources whose use is restricted 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 2004. 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

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 (i.e., revenues) and decreases (i.e., 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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, 2004, but were levied to finance 2005 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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 appropriation 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".

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

During 2004, the City invested in nonnegotiable certificates of deposit, federal agency securities, bonds of the City, and Star Ohio. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

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 2004 was \$290,800, which includes \$201,786 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, 2004, 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.

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, or 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. 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

All capital assets are capitalized at cost (or estimated historical 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.

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's infrastructure consists of streets, electric lines, water lines, sewer lines, and storm sewer lines. 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	15-25 years	N/A
Electric, Water, Sewer, and Storm Sewer Lines	N/A	15-50 years

K. 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".

L. 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. 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. General obligation bonds and OWDA loans are recognized as liabilities on the fund financial statements when due.

N. 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 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 construction, repair, and maintenance of streets and highways, the community development block grant program, recreation, police and fire levies, and various police department grants and programs. 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. As of December 31, 2004, net assets restricted by enabling legislation were \$11,773,670 for governmental activities.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

O. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for unclaimed monies, notes receivable, interfund, and encumbrances.

P. 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.

Q. Capital Contributions

Capital contributions on the proprietary fund statements arise from contributions from other funds and outside contributions of capital assets.

R. Interfund Transactions

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

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.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

T. Estimates

The preparation of the 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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND ACCOUNTING CHANGES

A. Change in Accounting Principles

For 2004, the City has implemented GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans. The implementation of this bulletin did not result in any change to the City's financial statements.

GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

B. Accounting Changes

In the prior year, the City omitted an interfund loan from the General fund to the Playground and Recreation fund in the amount of \$521,550. As a result, the fund balance of the General fund increased from \$4,873,214 to \$5,394,764 as of December 31, 2003. The fund balance of the Playground and recreation fund decreased from \$270,638 to (\$250,912) as of December 31, 2003.

In the prior year, the City omitted construction costs for the Wooster Street project, in the amount of \$3,432,723. As a result, net assets for governmental activities increased from \$33,696,250 to \$37,128,973 as of December 31, 2003.

In the prior year, the City incorrectly recorded accounts payable in the Electric enterprise fund. The liability was understated by \$750,000. As a result, net assets for business-type activities decreased from \$81,408,997 to \$80,658,997 as of December 31, 2003.

In the prior year, the City incorrectly recorded accumulated depreciation on the capital assets for the Wastewater Treatment Plan in the Sewer enterprise fund. The accumulated depreciation was understated by \$5,370,652. As a result, net assets for business-type activities decreased from \$80,658,997 to \$75,288,345 as of December 31, 2003.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2004, the Playground and Recreation and Indigent Driver's Alcohol special revenue funds had deficit fund balances, in the amount of \$125,768 and \$2,430, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Playground and Recreation special revenue fund had original appropriations in excess of estimated resources for the year ended December 31, 2004, in the amount of \$49,193. However, appropriations were modified so final appropriations would be reflected appropriately.

The Enforcement and Education special revenue fund had appropriations in excess of estimated resources for the year ended December 31, 2004, in the amount of \$1,150. The Finance Director will review budgeted resources to ensure they are sufficient for amounts appropriated.

The Special Assessment bond retirement fund, the Street Repair, West Side Fire Station, Community Center Capital Improvement, and Municipal Court Special Projects capital projects funds, and the Electric, Water, and Sewer enterprise funds had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2004, in the amount of \$22,031, \$13,636, \$5,921, \$38,337, \$34,066, \$8,104, \$11,161, and \$41,054, respectively, for issuance costs not appropriated. The Finance Director recognizes the need to budget for this activity in the future.

NOTE 5 - 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 a reservation of fund balance (GAAP basis).

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

	Change in Fund Balance	
	General	Playground and Recreation
GAAP Basis	\$584,020	\$125,144
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2003, Received in Cash 2004	1,629,854	64,299
Accrued 2004, Not Yet Received in Cash	(1,523,369)	(68,022)
Expenditure Accruals:		
Accrued 2003, Paid in Cash 2004	(874,746)	(51,427)
Accrued 2004, Not Yet Paid in Cash	1,149,475	9,383
Cash Adjustments:		
Unrecorded Activity 2003	227,228	1,029
Unrecorded Activity 2004	(136,346)	(3,758)
Prepaid Items	(19,303)	0
Encumbrances Outstanding at Year End (Budget Basis)	(397,756)	(33,303)
Budget Basis	\$639,057	\$43,345

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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, 2004
(Continued)**

NOTE 6 - 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the City had \$2,587 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the City's deposits was \$23,808,960 and the bank balance was \$24,230,433. Of the bank balance, \$718,452 was covered by the federal depository insurance and \$23,511,981 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.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered for which the securities are held by the City or the City's agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Fair Value
Federal Home Loan Bank Bonds		\$1,492,345	\$1,492,345
Federal National Mortgage Association Notes		4,224,832	4,224,832
Federal Home Loan Mortgage Corporation Bonds		497,705	497,705
City of Bowling Green Bonds	\$68,585		68,585
	\$68,585	\$6,214,882	6,283,467
STAR Ohio			1,546,341
Total			\$7,829,808

The classification of cash and cash equivalents and investments on the financial statements is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$31,641,355	
Cash on Hand	(2,587)	
Investments:		
Federal Home Loan Bank Bonds	(1,492,345)	\$1,492,345
Federal National Mortgage Association Notes	(4,224,832)	4,224,832
Federal Home Loan Mortgage Corporation Bonds	(497,705)	497,705
City of Bowling Green Bonds	(68,585)	68,585
STAR Ohio	(1,546,341)	1,546,341
GASB Statement No. 3	\$23,808,960	\$7,829,808

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004, 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; and special assessments. Notes receivable, in the amount of \$481,201, will not be received within one year. Special assessments receivable, in the amount of \$681,922, will not be received within one year. At December 31, 2004, the amount of delinquent special assessments was \$2,363.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 7 – RECEIVABLES – (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$80,613
Charges for Services	46,112
Fees, Licenses, and Permits	900
Fines and Forfeitures	35,700
Local Government	698,628
State of Ohio	4,933
Wood County	12,660
Usage Tax	15,309
Estate Tax	216,012
Total General Fund	1,110,867
Playground and Recreation	
Homestead and Rollback	29,444
Sewer and Water Capital Improvement	
Wood County	25,496
Total Major Funds	1,165,807
Nonmajor Funds	
Street Maintenance and Repair	
Gasoline Tax	243,658
Auto Registration	75,517
Motor Vehicle License Tax	34,764
State of Ohio	36
Total Street Maintenance and Repair	353,975
	(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 7 - RECEIVABLES – (Continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
State Highway	
Gasoline Tax	\$19,756
Auto Registration	6,123
Total State Highway	25,879
ODOT Transportation	
ODOT Transportation	12,507
Law Enforcement Trust	
Fees, Licenses, and Permits	200
Law Enforcement Drug	
Fines and Forfeitures	442
Indigent Drivers Alcohol	
Fines and Forfeitures	742
Education and Enforcement	
Fines and Forfeitures	269
Municipal Probation Services	
Charges for Services	5,708
Municipal Court Computerization	
Charges for Services	330
Street Repair	
Ohio Department of Transportation	178,168
Municipal Court Special Projects	
Charges for Services	550
Fines and Forfeitures	12,105
Total Municipal Court Special Projects	12,655
Total Nonmajor Funds	590,875
Total Governmental Activities	\$1,756,682

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 8 - 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 Programs. The notes have an annual interest rate of 2.6 to 6 percent and are to be repaid over periods ranging from three to twenty years. A summary of the changes in notes receivable during 2004 follows:

	<u>Balance December 31, 2003</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance December 31, 2004</u>	<u>Due Within One Year</u>
Special Revenue Fund					
CDBG					
Revolving Loan Program	\$462,138	\$135,000	\$179,481	\$417,657	\$142,107
Home Program	244,494		37,159	207,335	17,284
Downtown Revolving Loan Program	<u>74,201</u>		<u>30,550</u>	<u>43,651</u>	<u>19,301</u>
Total Notes Receivable	<u>\$780,833</u>	<u>\$135,000</u>	<u>\$247,190</u>	668,643	<u>\$178,692</u>
Amounts Written Off During 2004				<u>(8,750)</u>	
				<u>\$659,893</u>	

Notes receivable are reduced each year by the amount of loans which have been determined to be uncollectible.

NOTE 9 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1.92 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 .42 percent is split between the Police Levy (.14) and Fire Levy (.28) special revenue funds.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 10 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, 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.

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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 property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2004 operations.

Collectible delinquent real property taxes have been recorded as a receivable and revenue on the full accrual basis. On the modified accrual basis, the revenue is deferred.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 10 - PROPERTY TAXES – (Continued)

The full tax rate for all City operations for the year ended December 31, 2004, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$245,670,180
Commercial/Industrial	143,480,990
Public Utility Real	11,740
Public Utility Personal	5,092,750
Tangible Personal	43,279,691
Total	\$437,535,351

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$2,490,559	\$247,898		\$2,738,457
Construction in Progress	4,115,604	5,670,193	(\$695,743)	9,090,054
Total Nondepreciable Capital Assets	6,606,163	5,918,091	(695,743)	11,828,511
Depreciable Capital Assets				
Land Improvements	2,017,598			2,017,598
Buildings	13,398,054	379,789		13,777,843
Equipment	1,521,363	188,403		1,709,766
Vehicles	4,985,268	424,457	(86,590)	5,323,135
Streets	35,848,609	2,253,096		38,101,705
Total Depreciable Capital Assets	57,770,892	3,245,745	(86,590)	60,930,047
				(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 11 - CAPITAL ASSETS – (Continued)

	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Less Accumulated Depreciation for				
Land Improvements	(\$658,743)	(\$79,965)		(\$738,708)
Buildings	(4,514,443)	(280,224)		(4,794,667)
Equipment	(921,302)	(99,708)		(1,021,010)
Vehicles	(2,815,977)	(477,606)	\$76,023	(3,217,560)
Streets	(18,615,058)	(1,049,116)		(19,664,174)
Total Accumulated Depreciation	(27,525,523)	(1,986,619)	76,023	(29,436,119)
Total Depreciable Capital Assets, Net	30,245,369	1,259,126	(10,567)	31,493,928
Governmental Activities Capital Assets, Net	\$36,851,532	\$7,177,217	(\$706,310)	\$43,322,439

During 2004, the City accepted contributions of depreciable capital assets for governmental activities with a fair value of \$5,433,008.

	Restated Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$1,928,221			\$1,928,221
Construction in Progress	642,628	\$5,111,418		5,754,046
Total Nondepreciable Capital Assets	2,570,849	5,111,418		7,682,267
Depreciable Capital Assets				
Buildings	47,625,103	681,246	(\$369,225)	47,937,124
Equipment	1,968,914	154,763	(122,147)	2,001,530
Vehicles	3,721,406	261,783	(153,653)	3,829,536
Electric, Water, Sewer, and Storm Sewer Lines	77,043,368	2,869,415	(163,032)	79,749,751
Total Depreciable Capital Assets	130,358,791	3,967,207	(808,057)	133,517,941
Less Accumulated Depreciation for				
Buildings	(23,589,130)	(1,202,950)	264,418	(24,527,662)
Equipment	(1,442,880)	(292,645)	100,522	(1,635,003)
Vehicles	(2,859,128)	(252,959)	150,223	(2,961,864)
Electric, Water, Sewer, and Storm Sewer Lines	(29,025,645)	(1,570,080)	163,023	(30,432,702)
Total Accumulated Depreciation	(56,916,783)	(3,318,634)	678,186	(59,557,231)
Total Depreciable Capital Assets, Net	73,442,008	648,573	(129,871)	73,960,710
Business-Type Activities Capital Assets, Net	\$76,012,857	\$5,759,991	(\$129,871)	\$81,642,977

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 11 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	\$138,294
Security of Persons and Property-Fire	157,182
Security of Persons and Property-Ambulance	100,868
Leisure Time Activities	83,634
Community Environment	771
Transportation	1,079,335
General Government-Court	127,707
General Government-Other	298,828
Total Depreciation Expense - Governmental Activities	\$1,986,619

NOTE 12 - INTERFUND BALANCES

Interfund balances at December 31, 2004, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Playground and Recreation	\$463,600
Electric	129,073
Total General Fund	\$592,673

Due to Electric Fund from:

General	2,772
Playground and Recreation	883
Other Governmental	615
Water	2,355
Sewer	10,872
Total Electric Fund	\$17,497

Due to Water Fund from:

General	\$5,298
Playground and Recreation	1,732
Other Governmental	2,395
Electric	764
Sewer	4,170
Total Water Fund	\$14,359

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 12 - INTERFUND BALANCES – (Continued)

Due to Sewer Fund from:

General	\$12,102
Playground and Recreation	261
Other Governmental	1,954
Electric	2,843
Water	1,035
Engineering	252
Total Sewer Fund	\$18,447

Due to Internal Service Fund from:

General	\$23,877
Other Governmental	206
Water	1,080
Sewer	1,843
Total Internal Service Fund	\$27,006

The balances due to the General, Electric, Water, Sewer, and Engineering 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 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 \$463,600 owed by the Playground and Recreation special revenue fund:

Year Ending December 31,	Principal
2005	\$57,950
2006	57,950
2007	57,950
2008	57,950
2009	57,950
2010 - 2012	173,850
Total	\$463,600

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, 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 in addition to a \$250,000 corridor deductible (one time deductible). Coverage provided by BORMA is as follows:

Property	
Building and Contents	\$375,051,084
Flood Annual Aggregate	21,000,000
Earthquake Annual Aggregate	21,000,000
Boiler and Machinery	50,000,000
General Liability	
Per Occurrence	1,000,000
Employee Benefit Liability	1,000,000
Ohio Stop Gap Liability	1,000,000
Public Official Liability	
Per Occurrence	1,000,000
Annual Aggregate	1,000,000
Law Enforcement Professional Liability	1,000,000
Automobile	
Liability	1,000,000
Uninsured Motorist	1,000,000
Crime	
Employee Dishonesty and Faithful Performance	500,000
Computer Fraud	500,000
Depositor's Forgery	500,000
Money and Securities	500,000
Excess Liability	
Per Occurrence	5,000,000
Annual Aggregate	5,000,000

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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 13 - RISK MANAGEMENT – (Continued)

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.

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 14 - CONTRACTUAL COMMITMENTS

At December 31, 2004, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Shelly Company	2004 Pavement Program	\$355,378
Quinn Concrete	2004 Sidewalk Program	47,743
Morlock Asphalt	Paving	14,400
Peterson	WWTP & Solids Handling Improvements	2,652,340
Mosser Construction	WWTP & Solids Handling Improvements	46,293
Mosser Construction	Contract C-HVAC	73,600
Retzke/Snyder	WWTP & Solids Handling Improvements	417,169
Retzke/Snyder	WTP Multi-tech & GAC Improvements	119,500
Laibe	BGSU Solar Cell Project	23,661
Erie Welding	WTP Multi-tech & GAC Improvements	609,000

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment 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 publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2004, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$908,762, \$787,922, and \$778,038, respectively; 87 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2004, in the amount of \$121,295, is recorded as a liability. Contributions to the member-directed plan for 2004 were \$4,585 made by the City and \$2,876 made by plan members.

B. Ohio Police and Fire Pension Fund

The City participates in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan. OPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OPF for the years ended December 31, 2004, 2003, and 2002, were \$767,033, \$740,487, and \$689,989, respectively; 71 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2004, in the amount of \$222,500, is recorded as a liability.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55 percent of covered payroll; 4 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits was \$382,554. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In September 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OPF) provides postretirement health care coverage to 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. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS – (Continued)

The health care coverage provided by OPF is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from OPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll and for firefighters is 24 percent of covered payroll; 7.75 percent was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$186,219 for police and \$231,165 for firefighters. The OPF's total health care expense for the year ended December 31, 2003 (the latest information available), was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OPF participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

NOTE 17 - 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. 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.

NOTE 18 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2004, were as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>Governmental Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Capital Projects Funds					
2002 Real Estate Acquisition	0.00%	\$125,000	\$0	\$62,500	\$62,500
2003 Research Park Drive	1.50	375,000	0	375,000	0
2003 Municipal Court Construction	1.50	3,430,000	0	3,430,000	0
2003 West Side Fire Station Construction	1.10	600,000	0	600,000	0

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - NOTES PAYABLE – (Continued)

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>Governmental Activities (continued)</u>					
<u>General Obligation Bond Anticipation Notes (continued)</u>					
2003 Central Business District Revitalization	1.50%	\$2,575,000	\$0	\$2,575,000	\$0
2003 Community Center Construction	1.50	3,850,000	0	3,850,000	0
2003 East Wooster Street Improvement	1.10	1,380,000	0	1,380,000	0
2004 Research Park Drive	2.00	0	340,000	0	340,000
Total Governmental Activities		<u>\$12,335,000</u>	<u>\$340,000</u>	<u>\$12,272,500</u>	<u>\$402,500</u>
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
<u>Electric</u>					
2003 Electric System Improvements	1.10%	\$815,000	\$0	\$815,000	\$0
2003 Electric System Improvements	1.25	2,896,000	0	2,896,000	0
2003 Electric System Improvements	1.25	3,650,000	0	3,650,000	0
2004 Electric System Improvements	2.35	0	2,506,000	0	2,506,000
2004 Electric System Improvements	2.35	0	3,550,000	0	3,550,000
Total Electric Fund		<u>7,361,000</u>	<u>6,056,000</u>	<u>7,361,000</u>	<u>6,056,000</u>
<u>Water</u>					
2003 Water System Improvement	1.50	100,000	0	100,000	0
2003 Wastewater Treatment Plant Improvement	1.10	1,170,000	0	1,170,000	0
Total Water Fund		<u>1,270,000</u>	<u>0</u>	<u>1,270,000</u>	<u>0</u>
<u>Sewer</u>					
2002 Real Estate Acquisition	0.00	125,000	0	62,500	62,500
2003 Wastewater Treatment Plant Improvement	1.50	1,350,000	0	1,350,000	0
2003 Sewerage System Improvement	1.10	2,780,000	0	2,780,000	0
Total Sewer Fund		<u>4,255,000</u>	<u>0</u>	<u>4,192,500</u>	<u>62,500</u>
Total Business-Type Activities		<u>\$12,886,000</u>	<u>\$6,056,000</u>	<u>\$12,823,500</u>	<u>\$6,118,500</u>

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 18 - NOTES PAYABLE – (Continued)

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.

The bond anticipation notes issued in the capital projects funds, in the amount of \$340,000 were issued to partially retire notes previously issued to pay the costs of constructing the southerly portion of Research Park Drive.

The bond anticipation notes in the Electric enterprise fund, in the amount of \$2,506,000 and \$3,550,000 were issued to partially retire notes previously issued to pay the costs of improving the City's electric system by constructing a new substation.

The real estate acquisition notes represent an amount financed through the Toledo Community Foundation, Incorporated for the purchase of land. The intention is to repay the loan from the Sewer and Water Capital Improvement capital projects fund and the Sewer enterprise fund.

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2002 Aquatic Complex Improvement (Original Issue - \$90,000)	4.00%	\$60,000	\$0	\$30,000	\$30,000	\$30,000
2003 Real Estate Acquisition (Original Issue - \$52,000)	3.00	52,000	0	13,000	39,000	13,000
2004 Various Purpose Improvement (Original Issue - \$11,745,000)	3.00	0	11,745,000	140,000	11,605,000	660,000
Premium		0	113,991	1,359	112,632	0
Total General Obligation Bonds		112,000	11,858,991	184,359	11,786,632	703,000
Ohio Water Development Authority Loans						
1985 Water System (Original Issue - \$1,583,371)	8.97	873,028	0	328,434	544,594	357,894
1988 Dunbridge Road Water (Original Issue - \$883,788)	8.31	621,864	0	119,878	501,986	129,840
1988 Sludge Lagoon/Reservoir (Original Issue - \$730,039)	8.05	131,230	0	131,230	0	0
1994 Second Water Transmission Main (Original Issue - \$3,644,348)	5.77	3,344,090	0	132,747	3,211,343	140,406

(continued)

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 19 - LONG-TERM OBLIGATIONS – (Continued)

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
<u>(continued)</u>						
Ohio Water Development Authority Loans (continued)						
1999 Granular Activated Carbon System (Original Issue - \$2,880,752)	5.50%	\$2,789,305	\$0	\$190,507	\$2,598,798	\$201,129
1999 Central Business District-Heritage 2000 (Original Issue - \$1,200,000)	3.00	1,200,000	0	0	1,200,000	1,200,000
2001 Wintergarden Heights/Sand Ridge Sewer	3.20	328,849	0	90,860	237,989	117,106
2002 Clearwell and High Service Pump	3.95	3,534,768	305,225	202,676	3,637,317	0
2004 Wastewater Treatment Plant and Solids Handling Improvements	1.76	0	3,504,502	0	3,504,502	0
Total Ohio Water Development Authority Loans		12,823,134	3,809,727	1,196,332	15,436,529	2,146,375
Other Long-Term Obligations						
Compensated Absences Payable		1,078,589	123,422	9,005	1,193,006	538,554
Total Governmental Activities		\$14,013,723	\$15,792,140	\$1,389,696	\$28,416,167	\$3,387,929
<u>Business-Type Activities</u>						
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$6,215,000)	3.00	\$0	\$6,215,000	\$220,000	\$5,995,000	\$270,000
Premium		0	60,319	2,135	58,184	0
Total General Obligation Bonds		0	6,275,319	222,135	6,053,184	270,000
Other Long-Term Obligations						
Compensated Absences Payable		872,596	68,038	43,682	896,952	335,166
Capital Leases Payable		165,445	198,684	78,182	285,947	73,667
AMP Ohio Payable - JV 2		7,232,459	0	352,106	6,880,353	339,801
AMP Ohio Payable - JV 6		0	5,694,380	188,704	5,505,676	0
Total Other Long-Term Obligations		8,270,500	5,961,102	662,674	13,568,928	748,634
Total Business-Type Activities		\$8,270,500	\$12,236,421	\$884,809	\$19,622,112	\$1,018,634

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 19 - LONG-TERM OBLIGATIONS – (Continued)

2002 Aquatic Complex Improvement General Obligation Bonds - On June 13, 2002, the City issued \$90,000 in unvoted general obligation bonds to refund outstanding bond anticipation notes originally issued to pay for improvements to the Aquatics Complex at the City Park. The bonds were issued for a four year period with maturity beginning June 1, 2003. The bonds will be paid from the Pool Capital improvement capital projects fund.

2003 Real Estate Acquisition General Obligation Bonds - On September 4, 2003, the City issued \$52,000 in unvoted general obligation bonds to refund outstanding bond anticipation notes originally issued to acquire real estate for a parking lot. The bonds were issued for a four year period with maturity beginning December 1, 2004. The bonds will be paid from the Off Street Parking special revenue fund. The bonds are not subject to optional redemption prior to maturity.

2004 Various Purpose Improvement General Obligation Bonds - On May 6, 2004, the City issued \$17,960,000 in unvoted general obligation bonds to refund outstanding bond anticipation 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 range from 3 to 5 percent over the life of the bonds. The bonds will be paid from various 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.

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.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 19 - LONG-TERM OBLIGATIONS – (Continued)

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 to the extent such resources are available.

Compensated Absences - The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance and Repair, Parking Meter, Playground and Recreation, ODOT Transportation, CDBG, Police Levy, Fire Levy, and Municipal Probation Services special revenue funds, 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.

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 amount due within one year cannot be identified as that amount is recalculated annually by AMP Ohio.

The City's legal debt margin was \$33,864,712 at December 31, 2004.

The Clearwell and High Service pump and the Waste Water Treatment Plant and Solids Handling Improvements projects funded by OWDA loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 19 - LONG-TERM OBLIGATIONS – (Continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2004, were as follows:

Year	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2005	\$703,000	\$452,108	\$2,087,360	\$452,066
2006	678,000	430,718	807,162	353,783
2007	668,000	410,378	594,497	305,016
2008	665,000	390,338	482,022	270,791
2009	670,000	370,388	425,605	241,431
2010 to 2014	2,940,000	1,531,887	2,517,524	817,655
2015 to 2019	2,410,000	1,007,911	1,380,541	247,963
2020 to 2024	2,000,000	487,176	0	0
2025 to 2028	940,000	118,299	0	0
Total	<u>\$11,674,000</u>	<u>\$5,199,203</u>	<u>\$8,294,711</u>	<u>\$2,688,705</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004, from the enterprise funds were as follows:

Year	General Obligation Bonds		AMP Ohio Payable - JV2	
	Principal	Interest	Principal	Interest
2005	\$270,000	\$234,888	\$339,800	\$391,300
2006	270,000	226,788	354,416	376,859
2007	280,000	218,688	369,031	362,682
2008	280,000	210,288	387,299	344,231
2009	290,000	201,888	406,482	324,866
2010 to 2014	1,570,000	859,315	2,370,383	1,286,526
2015 to 2019	1,620,000	535,849	1,955,072	615,080
2020 to 2023	1,415,000	169,171	697,870	33,149
Total	<u>\$5,995,000</u>	<u>\$2,656,875</u>	<u>\$6,880,353</u>	<u>\$3,734,693</u>

The City is a participant in a joint venture that has issued Certificates of Beneficial Interest. The debt service payments are obligations of the joint ventures' participants, payable from each participant's municipal electric utility system, subject only to the prior payment of operation and maintenance expenses. In case of default by a participant, the remaining participants become liable for that participant's debt service payments. The Certificates of Beneficial Interest are fully insured in case of total default by all of the participants. No defaults have occurred to date on the joint venture. For accounting purposes, the obligation for repayment of the Certificates is reflected in the financial statements of the joint venture.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 19 - LONG-TERM OBLIGATIONS – (Continued)

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

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Balance December 31, 2004</u>
Industrial Revenue Bonds			
Lamson and Session Company	6/28/1995	\$2,780,000	\$1,100,000
Multi-Family Housing Revenue Bonds			
Bowling Green Village Series 2001 A	6/1/2001	3,320,000	3,220,000
Bowling Green Village Series 2001 B	6/1/2001	500,000	500,000
Ohio Water Development Authority Loan			
Hiram College	4/29/04	611,872	611,872

The City is not obligated in any way to pay debt and related charges on industrial revenue bonds, multi-family housing revenue bonds, and 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 bonds or the related financing documents.

NOTE 20 - 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 2004, the City entered into a new lease, in the amount of \$198,684. Capital lease payments are reflected as a reduction of the liability in the enterprise funds. Principal payments in 2004 were \$78,182.

	<u>Business-Type Activities</u>
Vehicles	\$487,438
Less Accumulated Depreciation	(205,862)
Carrying Value, December 31, 2004	<u>\$281,576</u>

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)

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, 2004.

Year	Business-Type Activities	
	Principal	Interest
2005	\$73,667	\$13,680
2006	48,362	9,733
2007	50,627	7,468
2008	52,998	5,097
2009	29,507	2,613
2010	30,786	1,334
Total	\$285,947	\$39,925

NOTE 21 - INTERFUND TRANSFERS

During 2004, the General Fund made transfers to other governmental funds, in the amount of \$94,161, to subsidize activities in other funds. The Playground and Recreation special revenue fund made transfers to other governmental funds, in the amount of \$27,000, as debt payments came due. Other governmental funds made transfers, in the amount of \$25,000 for transit operations, in the amount of \$31,000 to distribute parking fees, and in the amount of \$91,498 to fund specific capital projects.

NOTE 22 - 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.

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 does not have any outstanding debt obligations as of December 31, 2004. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5005 Rockside Road, 10th Floor, Cleveland, Ohio 44131-2157.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 22 - INSURANCE POOLS – (Continued)

B. North Central Ohio Municipal Finance Officers' Association

For 2004, the City participated in the North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members of the Plan. Each member pays its workers' compensation premiums to the State based on the rate from the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of CompManagement 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.

NOTE 23 - 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, 2004, the City had met their debt coverage obligation.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 23 - 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. The City's net obligation for these bonds at December 31, 2004, was \$6,880,353 (including amounts withheld for debt service reserve, amounts held in the bond fund, 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 \$6,714,113 at December 31, 2004. 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, 2004, the City had met their 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, 2004
(Continued)**

NOTE 23 - 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. The City's net investment in JV5 was \$1,359,876 at December 31, 2004. 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, 2004, the City had met their debt coverage obligation.

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 3.6 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, 2004, was \$5,505,676. 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 \$5,636,725 at December 31, 2004. Complete financial statements for JV6 may be obtained from AMP-Ohio.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 24 - CONTINGENT LIABILITIES

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

For the period January 1, 2004, to December 31, 2004, 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 EVENT

On June 8, 2005, the City issued bond anticipation notes, in the amount of \$305,000, to partially retire notes previously issued to construct the southerly portion of Research Park Drive. The notes have an interest rate of 4.2 percent and mature on June 7, 2006.

On November 10, 2005, the City issued bond anticipation notes, in the amount of \$480,000 for the purpose of acquiring real property for park and recreation purposes. The notes have an interest rate of 3.78% and mature on November 9, 2006.

On December 1, 2005, AMP-Ohio issued bond anticipation notes on behalf of the City in the amount of \$5,471,000 to partially retire notes previously issued for Electric System Improvements. The notes have an interest rate of 3.3% and mature on November 30, 2006.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Comparative Balance Sheet
Enterprise Funds
December 31, 2004, and 2003**

	Electric		Water	
	2004	2003	2004	2003
Current Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,712,671	\$4,021,101	\$4,722,722	\$3,749,412
Accounts Receivable	3,041,740	2,015,056	374,676	310,627
Accrued Interest Receivable	5,190	531	1,692	704
Interfund Receivable	17,497	36,813	14,359	13,037
Prepaid Items	41,054	26,674	32,460	25,005
Materials and Supplies Inventory	662,716	821,871	172,276	149,184
Total Current Assets	7,480,868	6,922,046	5,318,185	4,247,969
Non-Current Assets				
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents				1,130,168
Unamortized Bond Issuance Cost	10,730		15,719	
Nondepreciable Capital Assets	451,543	448,458	367,662	293,025
Depreciable Capital Assets, Net	16,676,672	17,250,844	27,130,755	26,417,159
Investment in Joint Venture	13,710,714	8,307,196		
Total Non-Current Assets	30,849,659	26,006,498	27,514,136	27,840,352
Total Assets	38,330,527	32,928,544	32,832,321	32,088,321
Current Liabilities				
Accrued Wages Payable	107,693	66,255	46,142	34,455
Accounts Payable	3,154,690	1,982,464	278,912	112,222
Due to Other Governments	222,381	73,751	41,190	38,417
Interfund Payable	132,680	3,713	4,470	3,749
Accrued Interest Payable	13,243	11,256	2,836	7,608
Notes Payable	6,056,000	7,361,000		1,270,000
General Obligation Bonds Payable	60,000		45,000	
Compensated Absences Payable	175,805	132,556	79,041	52,963
Capital Leases Payable				
AMP Ohio Payable	339,801	326,099		
Total Current Liabilities	10,262,293	9,957,094	497,591	1,519,414
Non-Current Liabilities				
General Obligation Bonds Payable	732,619		1,116,161	
Compensated Absences Payable	238,070	417,712	154,349	199,849
Capital Leases Payable				
AMP Ohio Payable	12,046,228	6,906,360		
Total Non-Current Liabilities	13,016,917	7,324,072	1,270,510	199,849
Total Liabilities	23,279,210	17,281,166	1,768,101	1,719,263
Net Assets				
Invested in Capital Assets, Net of Related Debt	10,290,326	10,338,302	26,352,975	26,570,352
Restricted For				
Water Treatment Plant Improvement				1,130,168
Unrestricted	4,760,991	5,309,076	4,711,245	2,668,538
Total Net Assets	\$15,051,317	\$15,647,378	\$31,064,220	\$30,369,058

Sewer		Totals	
2004	2003	2004	2003
\$3,157,988	\$2,964,736	\$11,593,381	\$10,735,249
367,853	301,046	3,784,269	2,626,729
10,909		17,791	1,235
18,447	12,812	50,303	62,662
33,313	25,872	106,827	77,551
19,936	23,724	854,928	994,779
<u>3,608,446</u>	<u>3,328,190</u>	<u>16,407,499</u>	<u>14,498,205</u>
			1,130,168
55,495		81,944	
6,863,062	1,829,366	7,682,267	2,570,849
30,153,283	35,144,657	73,960,710	78,812,660
		13,710,714	8,307,196
<u>37,071,840</u>	<u>36,974,023</u>	<u>95,435,635</u>	<u>90,820,873</u>
<u>40,680,286</u>	<u>40,302,213</u>	<u>111,843,134</u>	<u>105,319,078</u>
47,675	37,657	201,510	138,367
113,037	77,212	3,546,639	2,171,898
45,935	44,577	309,506	156,745
16,885	15,112	154,035	22,574
10,011	23,470	26,090	42,334
62,500	4,255,000	6,118,500	12,886,000
165,000		270,000	
80,320	61,302	335,166	246,821
73,667	46,061	73,667	46,061
		339,801	326,099
<u>615,030</u>	<u>4,560,391</u>	<u>11,374,914</u>	<u>16,036,899</u>
3,934,404		5,783,184	
169,367	233,604	561,786	851,165
212,280	119,384	212,280	119,384
		12,046,228	6,906,360
<u>4,316,051</u>	<u>352,988</u>	<u>18,603,478</u>	<u>7,876,909</u>
<u>4,931,081</u>	<u>4,913,379</u>	<u>29,978,392</u>	<u>23,913,808</u>
32,623,988	32,553,578	69,267,289	69,462,232
			1,130,168
<u>3,125,217</u>	<u>2,835,256</u>	<u>12,597,453</u>	<u>10,812,870</u>
<u>\$35,749,205</u>	<u>\$35,388,834</u>	<u>\$81,864,742</u>	<u>\$81,405,270</u>

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Comparative Statement of Revenues, Expenses, and Change in Net Assets
Enterprise Funds
For the Years Ended December 31, 2004, and 2003**

	Electric		Water	
	2004	2003	2004	2003
<u>Operating Revenues</u>				
Charges for Services	\$26,147,905	\$23,653,384	\$3,186,522	\$3,019,656
Other	1,160,240	1,071,299	34,976	33,428
Total Operating Revenues	<u>27,308,145</u>	<u>24,724,683</u>	<u>3,221,498</u>	<u>3,053,084</u>
<u>Operating Expenses</u>				
Purchased Power	21,921,610	19,049,023		
Plant Operation			829,058	768,840
Plant Maintenance			301,536	376,236
Distribution Operation	1,326,727	1,344,231	374,214	408,532
Distribution Maintenance	1,261,787	1,359,807	402,804	419,530
Customer Account Collection	261,813	283,402	96,501	85,710
Administrative and General	1,332,347	1,198,782	725,216	717,923
Depreciation	1,245,557	1,045,875	1,132,947	1,018,381
Total Operating Expenses	<u>27,349,841</u>	<u>24,281,120</u>	<u>3,862,276</u>	<u>3,795,152</u>
Operating Income (Loss)	<u>(41,696)</u>	<u>443,563</u>	<u>(640,778)</u>	<u>(742,068)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Loss on Disposal of Capital Assets	(2,304)	(17,138)	(108,137)	
Grants	35,000			
Excise Taxes	1,601,863	1,572,477		
Excise Taxes Expense	(1,624,690)	(1,572,477)		
Interest Revenue	41,451	36,070	66,382	42,224
Interest Expense	(105,633)	(129,278)	(30,699)	(9,892)
Investment in Joint Venture	249,948	17,740		
Total Non-Operating Revenues (Expenses)	<u>195,635</u>	<u>(92,606)</u>	<u>(72,454)</u>	<u>32,332</u>
Income Before Contributions	153,939	350,957	(713,232)	(709,736)
Capital Contributions		1,071,070	1,408,394	3,393,925
Change in Net Assets	153,939	1,422,027	695,162	2,684,189
Net Assets Beginning of Year - Restated (note 3)	<u>14,897,378</u>	<u>14,225,351</u>	<u>30,369,058</u>	<u>27,684,869</u>
Net Assets End of Year	<u>15,051,317</u>	<u>15,647,378</u>	<u>31,064,220</u>	<u>30,369,058</u>

Sewer		Totals	
2004	2003	2004	2003
\$3,430,373	\$3,156,800	\$32,764,800	\$29,829,840
276,861	342,459	1,472,077	1,447,186
<u>3,707,234</u>	<u>3,499,259</u>	<u>34,236,877</u>	<u>31,277,026</u>
		21,921,610	19,049,023
813,181	774,924	1,642,239	1,543,764
434,938	472,701	736,474	848,937
163,553	141,152	1,864,494	1,893,915
422,756	335,941	2,087,347	2,115,278
107,680	82,916	465,994	452,028
1,160,872	987,351	3,218,435	2,904,056
940,130	1,700,165	3,318,634	3,764,421
<u>4,043,110</u>	<u>4,495,150</u>	<u>35,255,227</u>	<u>32,571,422</u>
<u>(335,876)</u>	<u>(995,891)</u>	<u>(1,018,350)</u>	<u>(1,294,396)</u>
(19,430)		(129,871)	(17,138)
		35,000	
		1,601,863	1,572,477
		(1,624,690)	(1,572,477)
47,306	27,870	155,139	106,164
(120,514)	(85,196)	(256,846)	(224,366)
		249,948	17,740
<u>(92,638)</u>	<u>(57,326)</u>	<u>30,543</u>	<u>(117,600)</u>
(428,514)	(1,053,217)	(987,807)	(1,411,996)
<u>6,159,537</u>	<u>1,203,475</u>	<u>7,567,931</u>	<u>5,668,470</u>
5,731,023	150,258	6,580,124	4,256,474
<u>30,018,182</u>	<u>35,238,576</u>	<u>75,284,618</u>	<u>77,148,796</u>
<u>35,749,205</u>	<u>35,388,834</u>	<u>81,864,742</u>	<u>81,405,270</u>

**CITY OF BOWLING GREEN
WOOD COUNTY**

**Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2004, and 2003**

	Electric		Water	
	2004	2003	2004	2003
<u>Increases (Decreases) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$25,326,120	\$23,830,809	\$3,121,151	\$3,029,437
Cash Payments for Purchased Power	(21,589,189)	(19,459,350)		
Cash Payments for Plant Operation			(677,780)	(802,759)
Cash Payments for Plant Maintenance			(288,354)	(362,591)
Cash Payments for Distribution Operation	(1,112,567)	(1,356,000)	(394,910)	(437,029)
Cash Payments for Distribution Maintenance	(1,307,711)	(1,243,023)	(399,640)	(424,566)
Cash Payments for Customer Account Collection	(279,112)	(260,989)	(91,675)	(79,135)
Cash Payments for Administrative and General	(1,066,062)	(1,317,442)	(745,068)	(718,104)
Cash Received from Other Revenues	951,830	1,048,472	34,976	33,428
Net Cash Provided by Operating Activities	<u>923,309</u>	<u>1,242,477</u>	<u>558,700</u>	<u>238,681</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Cash Received from Excise Taxes	1,624,690	1,572,477		
Cash Payments for Excise Tax Distribution	(1,624,690)	(1,572,477)		
Grants	35,000			
Net Cash Provided by Noncapital Financing Activities	<u>35,000</u>			
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Bond Anticipation Notes	(7,361,000)	(7,896,000)	(1,270,000)	(150,000)
Principal Paid on General Obligation Bonds	(50,000)			
Principal Paid on Capital Leases				
Interest Paid on Bond Anticipation Notes	(103,448)	(139,842)	(35,471)	(3,366)
Interest Paid on Capital Leases				
Premium on General Obligation Bonds Issued	8,104		11,161	
Issuance Cost on General Obligation Bonds Issued	(11,413)		(15,719)	
Proceeds of Bonds	835,000		1,150,000	
Proceeds of Notes	6,056,000	7,361,000		1,270,000
Acquisition of Capital Assets	(676,774)	(328,965)	(620,923)	(72,886)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,303,531)</u>	<u>(1,003,807)</u>	<u>(780,952)</u>	<u>1,043,748</u>
<u>Cash Flows from Investing Activities</u>				
Interest	36,792	35,539	65,394	41,520
Net Increase (Decrease) in Cash and Cash Equivalents	(308,430)	274,209	(156,858)	1,323,949
Cash and Cash Equivalents at Beginning of Year	<u>4,021,101</u>	<u>3,746,892</u>	<u>4,879,580</u>	<u>3,555,631</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,712,671</u></u>	<u><u>\$4,021,101</u></u>	<u><u>\$4,722,722</u></u>	<u><u>\$4,879,580</u></u>

Sewer		Totals	
2004	2003	2004	2003
\$3,357,931	\$3,170,768	\$31,805,202	\$30,031,014
(839,333)	(835,578)	(21,589,189)	(19,459,350)
(435,408)	(446,652)	(1,517,113)	(1,638,337)
(171,255)	(148,474)	(723,762)	(809,243)
(407,810)	(148,474)	(1,678,732)	(1,941,503)
(91,667)	(356,031)	(2,115,161)	(2,023,620)
(1,157,405)	(79,178)	(462,454)	(419,302)
276,861	(995,422)	(2,968,535)	(3,030,968)
531,914	342,459	1,263,667	1,424,359
		1,624,690	1,572,477
		(1,624,690)	(1,572,477)
		35,000	
		35,000	
(4,192,500)	(4,362,500)	(12,823,500)	(12,408,500)
(170,000)		(220,000)	
(78,182)	(50,199)	(78,182)	(50,199)
(124,132)	(108,310)	(263,051)	(251,518)
(9,167)	(5,029)	(9,167)	(5,029)
41,054		60,319	
(57,819)		(84,951)	
4,230,000		6,215,000	
(14,313)	4,130,000	6,056,000	12,761,000
	(222,252)	(1,312,010)	(624,103)
(375,059)	(618,290)	(2,459,542)	(578,349)
36,397	27,870	138,583	104,929
193,252	61,472	(272,036)	1,659,630
2,964,736	2,903,264	11,865,417	10,205,787
\$3,157,988	\$2,964,736	\$11,593,381	\$11,865,417

(continued)

**City of Bowling Green
WOOD COUNTY**

**Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2004, and 2003
(continued)**

	Electric		Water	
	2004	2003	2004	2003
Reconciliation of Operating Income (Loss) to Net Cash <u>Provided by Operating Activities:</u>				
Operating Income (Loss)	(\$41,696)	\$443,563	(\$640,778)	(\$742,068)
Adjustments to Reconcile Operating Income (Loss) to Net Cash <u>Provided by Operating Activities:</u>				
Depreciation	1,245,557	1,045,875	1,132,947	1,018,381
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(1,026,684)	178,870	(64,049)	(617)
(Increase) Decrease in Interfund Receivable	(3,511)	(24,272)	(1,322)	10,398
Increase in Prepaid Items	(14,380)	(2,526)	(7,455)	(2,429)
(Increase) Decrease in Materials and Supplies Inventory	159,155	31,548	(23,092)	(13,978)
Increase (Decrease) in Accrued Wages Payable	41,438	13,683	11,687	919
Increase (Decrease) in Accounts Payable	422,226	(415,964)	166,690	24,395
Decrease in Retainage Payable		(2,662)		
Increase (Decrease) in Due to Other Governments	148,630	(17,894)	2,773	(14,813)
Increase (Decrease) in Interfund Payable	128,967	(116,478)	721	421
Increase (Decrease) in Compensated Absences Payable	(136,393)	108,734	(19,422)	(41,928)
Net Cash Provided by Operating Activities	<u>\$923,309</u>	<u>\$1,242,477</u>	<u>\$558,700</u>	<u>\$238,681</u>

Sewer		Totals	
2004	2003	2004	2003
(\$335,876)	(\$995,891)	(\$1,018,350)	(\$1,294,396)
940,130	1,700,165	3,318,634	3,764,421
(66,807)	14,223	(1,157,540)	192,476
(5,635)	(255)	(10,468)	(14,129)
(7,441)	(2,559)	(29,276)	(7,514)
3,788	(2,308)	139,851	15,262
10,018	(15,644)	63,143	(1,042)
35,825	(82,223)	624,741	(473,792)
			(2,662)
1,358	(4,415)	152,761	(37,122)
1,773	(7,226)	131,461	(123,283)
(45,219)	48,025	(201,034)	114,831
<u>\$531,914</u>	<u>\$651,892</u>	<u>\$2,013,923</u>	<u>\$2,133,050</u>

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Assistance			
Community Development Block Grants/Entitlement Grants	B-02-MC039-0025	14.218	\$133,981
	B-03-MC-39-0025	14.218	267,301
			<u>401,282</u>
<i>Passed Through Ohio Department of Development</i>			
HOME Investment Partnership Program	A-C-01-096-2	14.239	<u>282,741</u>
Total U.S. Department of Housing and Urban Development			<u>684,023</u>
U.S. DEPARTMENT OF JUSTICE			
Bullet Proof Vest Partnership Program	2004BUBX04022737	16.607	<u>3,314</u>
<i>Passed Through Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grants	2003-JB-011-A051	16.523	<u>5,760</u>
Total U.S. Department of Justice			<u>9,074</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other than Urbanized Areas	RPT-4087-021-041	20.509	179,313
	RPT-0087-023-042	20.509	46,240
			<u>225,553</u>
Total U.S. Department of Transportation			<u>225,553</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed Through Ohio Department of Development</i>			
State Energy Program Special Projects	04-69	81.119	<u>35,000</u>
Total U.S. Department of Energy			<u>35,000</u>
Total Federal Awards Expenditures			<u><u>\$953,650</u></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
FISCAL YEAR ENDED DECEMBER 31, 2004**

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) grants 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). These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2004, the gross amounts of loans outstanding under this program were \$417,657. Delinquent amounts due are \$5,710.

A new program was established in 2001 to assist our downtown businesses who had experienced business interruption during our downtown revitalization program. These loans were granted for a maximum amount of \$10,000, for a period of 36 months at an interest rate of 3%. No collateral was required for these original working capital loans. Loans repaid, including interest are used to make additional loans. Subsequent loans are subject to certain compliance requirements imposed by HUD and collateralized, but are not included as disbursements on the Schedule. At December 31, 2004, the gross amounts of loans outstanding under this program were \$43,651.

NOTE C - DOWNPAYMENT 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) grants money for these loans to the City, passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2004, the gross amounts of loans outstanding under this program were \$198,585. In 2004, \$8,750 of these loans was written off.

NOTE D - 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.

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**Auditor of State
Betty Montgomery**

**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 434402-2399

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 (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 28, 2006. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the City's management dated February 28, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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www.auditor.state.oh.us

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*. In a separate letter to the City's management dated February 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

February 28, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 (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 apply to its major federal program for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in item 2004-002 in the accompanying schedule of findings, the City did not comply with the reporting requirements regarding reporting for its Home Investment Partnership Program. Compliance with those requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Bowling Green complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004. In a separate letter to the City's management dated February 28, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

February 28, 2006

**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Home Investment Partnership Program, CFDA # 14.239
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2004-001

Reportable Condition

Park & Recreation Fees

The Parks and Recreation Director, with subsequent approval of the Parks and Recreation Board, have the authority to waive fees on those occasions when they believe it is prudent or desirable to do so. Our testing of parks and recreation fees throughout the year found that fees were waived/discounted for pool memberships and program/sports fees. Fees waived often varied in amounts, were done orally, and no documentation could support the approval of the discount by the Parks and Recreation Director or the Parks and Recreation Board. Lack of oversight by the Parks and Recreation Board could lead to inappropriate charges for services

**FINDING NUMBER 2004-001
 (Continued)**

being assessed and leaves a potential risk for fraud. To improve controls over parks and recreation department fees, we recommend the Parks and Recreation Board adopt a uniform policy for fee waivers and discounts. It is further recommended that all discounts should be documented on the participants' application/file. The Parks and Recreation Director should also submit a quarterly report of discounts/waivers to the Parks and Recreation Board for their approval. The Parks and Recreation Board passed a fee waiver policy at their December 2005 meeting, and retroactively approved fee waivers from January 1, 2005.

3. FINDINGS FOR FEDERAL AWARDS

Reporting

Finding Number	2004-002
CFDA Title and Number	Home Investment Partnership Program CFDA # 14.239
Federal Award Number / Year	A-C-01-096-2
Federal Agency	U.S Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Finding

Office of Housing and Community Partnerships Financial Management Rules and Regulations Attachment 12 Section (C)(4) and the Housing Revolving Loan Fund Administration Agreement require the grantee to submit Housing Semi-Annual Program Income Reports to Grantor within 30 days after receipt of the June 30 and December 31 Housing Semi-Annual Program Income Report of each year. The City did submit the required reports; however, they were materially misstated. This grant is funded on a competitive basis, and the amount of program income on hand is a factor in determining the amount, if any, in which a grant will be funded. The City reported a program income fund balance of \$69,494 at December 31, 2004. The records of the City show an actual balance of \$359,701 as of December 31, 2004, for an understatement of \$290,207. Improper reporting to grantors could lead to a loss of grant funding and is not in compliance with grant requirements. To avoid noncompliance, we recommend the City contact OHCP to correct the reporting error. It is further recommended that the City implement policies and procedures to assure reports submitted to grantors are accurate.

**CITY OF BOWLING GREEN
WOOD COUNTY
DECEMBER 31, 2004**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The Parks and Recreation Board approved the fee waiver policy in December 2005 retroactive to January 2005. The recommendations made by the audit staff will be implemented.	February 2006	Dr. Michelle Grigore
2004-002	The Housing Semi-Annual Program Income Report (SAR) was amended for the period ending 6/30/05 to reflect accurate program income balances. The 12/31/05 SAR was correctly submitted by the required deadline. A new internal review process has been established and implemented.	January 2006	Tina Bradley



**Auditor of State
Betty Montgomery**

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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
MARCH 21, 2006**