



**Auditor of State  
Betty Montgomery**



**CITY OF BOWLING GREEN  
WOOD COUNTY**

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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, 2005, 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, as of December 31, 2005, 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 November 1, 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.

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

**Betty Montgomery**  
Auditor of State

November 1, 2006

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

**HIGHLIGHTS**

Highlights for 2005 are as follows:

In total, the City's net assets increased \$4,756,004, or just under 4 percent. Governmental activities experienced an increase in net assets of over \$2.2 million (5.5 percent) for 2005. Business-type activities experienced an increase in net assets of over \$2.5 million (3 percent). Neither of these increases is considered significant.

A review of the enterprise funds reflects an operating loss for the Electric and Water funds, and operating income for the Sewer fund. 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. In 2005, this governmental fund paid for both water treatment and wastewater treatment plant improvements through low interest loans provided through the Ohio Water Development Authority. Water and sewer rates were increased 10 percent in January 2005. Electric rates were increased 5 percent in October 2005. Based on 2005 sales, this 5 percent electric rate increase will generate over \$1.5 million per year, which will significantly reduce the operating loss in that fund.

**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, Electric, Water, and Sewer funds.

**REPORTING THE CITY AS A WHOLE**

The statement of net assets and the statement of activities reflect how the City did financially during 2005. 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.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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, Electric, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

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

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

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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 2005 and 2004.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Assets</u>						
Current and Other Assets	\$27,759,301	\$29,457,630	\$17,652,938	\$16,340,514	\$45,412,239	\$45,798,144
Investment in Joint Venture			12,833,349	13,710,714	12,833,349	13,710,714
Capital Assets, Net	46,812,788	43,322,439	84,245,621	81,642,977	131,058,409	124,965,416
Total Assets	<u>74,572,089</u>	<u>72,780,069</u>	<u>114,731,908</u>	<u>111,694,205</u>	<u>189,303,997</u>	<u>184,474,274</u>
<u>Liabilities</u>						
Current and Other Liabilities	4,645,415	4,473,025	12,464,306	10,202,245	17,109,721	14,675,270
Long-Term Liabilities	27,754,124	28,347,167	17,854,423	19,622,112	45,608,547	47,969,279
Total Liabilities	<u>32,399,539</u>	<u>32,820,192</u>	<u>30,318,729</u>	<u>29,824,357</u>	<u>62,718,268</u>	<u>62,644,549</u>

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Table 1  
Net Assets  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	\$35,232,392	\$31,473,564	\$72,860,031	\$69,267,290	\$108,092,423	\$100,740,854
Restricted	15,513,517	17,502,503			15,513,517	17,502,503
Unrestricted (Deficit)	(8,573,359)	(9,016,190)	11,553,148	12,602,558	2,979,789	3,586,368
Total Net Assets	<u>\$42,172,550</u>	<u>\$39,959,877</u>	<u>\$84,413,179</u>	<u>\$81,869,848</u>	<u>\$126,585,729</u>	<u>\$121,829,725</u>

As mentioned previously, the City's net assets for governmental activities increased over \$2.2 million in 2005 (or 5.5 percent). This, however, is not a significant increase for governmental activities. The few changes of any significance were related to the completion of two primary projects, the Wooster Street widening project and the Community Center construction. As cash resources restricted for construction were spent on these projects, the effect was a decrease in cash and cash equivalents with a corresponding increase in capital assets. This activity is also reflected in the change in net assets as invested in capital assets increased with a corresponding decrease in restricted net assets.

Business-type activities reflect an increase in net assets of over \$2.5 million (or 3 percent). This was also not a significant change. The most notable changes reflected above are related to liabilities. Current and other liabilities increased due to an increase in accounts payable. This was the result of amounts due to AMP-Ohio for the cost of wholesale electric. Payments to AMP-Ohio were delayed beyond the end of the year due to cash flow issues. Long-term liabilities decreased as a result of debt payments.

Table 2 reflects the change in net assets for 2005 and 2004.

Table 2  
Change in Net Asset

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,330,962	\$2,768,307	\$40,654,366	\$34,629,572	\$43,985,328	\$37,397,879
Operating Grants, Contributions, and Interest	2,170,996	2,345,291			2,170,996	2,345,291
Capital Grants, Contributions, and Interest	2,856,488	5,672,806	951,960	1,714,600	3,808,448	7,387,406
Total Program Revenues	<u>8,358,446</u>	<u>10,786,404</u>	<u>41,606,326</u>	<u>36,344,172</u>	<u>49,964,772</u>	<u>47,130,576</u>

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Table 2  
Change in Net Asset  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Revenues (continued)</u>						
General Revenues						
Property Taxes-General Purposes	\$1,460,596	\$1,450,106			\$1,460,596	\$1,450,106
Property Taxes-Playground and Recreation	536,385	535,842			536,385	535,842
Municipal Income Taxes	14,145,773	13,834,072			14,145,773	13,834,072
Other Local Taxes	2,042,941	1,857,140			2,042,941	1,857,140
Grants and Entitlements not Restricted to Specific Programs	2,324,121	2,245,841			2,324,121	2,245,841
Franchise Fees	259,862	205,183			259,862	205,183
Interest	557,585	321,398	\$294,226	\$155,139	851,811	476,537
Other	446,487	556,392	1,097,831	1,472,077	1,544,318	2,028,469
Total General Revenues	<u>21,773,750</u>	<u>21,005,974</u>	<u>1,392,057</u>	<u>1,627,216</u>	<u>23,165,807</u>	<u>22,633,190</u>
Total Revenues	<u>30,132,196</u>	<u>31,792,378</u>	<u>42,998,383</u>	<u>37,971,388</u>	<u>73,130,579</u>	<u>69,763,766</u>
<u>Program Expenses</u>						
Security of Persons and Property						
Police	4,931,645	4,531,266			4,931,645	4,531,266
Fire	4,828,269	4,652,946			4,828,269	4,652,946
Ambulance	218,321	206,983			218,321	206,983
Public Health	58,762	40,124			58,762	40,124
Leisure Time Activities	1,487,192	1,176,403			1,487,192	1,176,403
Community Environment	981,679	933,526			981,679	933,526
Basic Utility Services	567,207	802,975			567,207	802,975
Transportation	5,997,788	4,651,215			5,997,788	4,651,215
General Government						
Court	1,515,207	1,458,202			1,515,207	1,458,202
Other	2,939,860	3,637,345			2,939,860	3,637,345
Internal Service Fund External Portion	39,944	36,435			39,944	36,435
Interest and Fiscal Charges	1,102,011	980,723			1,102,011	980,723
Electric			35,529,950	29,078,682	35,529,950	29,078,682
Water			4,324,339	3,997,239	4,324,339	3,997,239
Sewer			3,852,401	4,167,295	3,852,401	4,167,295
Total Expenses	<u>24,667,885</u>	<u>23,108,143</u>	<u>43,706,690</u>	<u>37,243,216</u>	<u>68,374,575</u>	<u>60,351,359</u>
Increase (Decrease) in Net Assets						
Before Transfers	5,464,311	8,684,235	(708,307)	728,172	4,756,004	9,412,407
Transfers	(3,251,638)	(5,853,331)	3,251,638	5,853,331		
Increase in Net Assets	<u>2,212,673</u>	<u>2,830,904</u>	<u>2,543,331</u>	<u>6,581,503</u>	<u>4,756,004</u>	<u>9,412,407</u>
Net Assets Beginning of Year	39,959,877	37,128,973	81,869,848	75,288,345	121,829,725	112,417,318
Net Assets End of Year	<u>\$42,172,550</u>	<u>\$39,959,877</u>	<u>\$84,413,179</u>	<u>\$81,869,848</u>	<u>\$126,585,729</u>	<u>\$121,829,725</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Program revenues represent approximately 28 percent of total revenues for governmental activities, and for 2005, program revenues decreased \$2.4 million from the prior year (primarily capital resources received from the Ohio Department of Transportation in the prior year for Wooster Street). 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 65 percent of general revenues and 47 percent of total revenues overall. General revenues remained very comparable to the prior year.

Not surprisingly, the largest governmental activities expenses are related to the police and fire departments, combining for 40 percent of overall expenses. With the exception of transportation costs, expenses for all of the City's programs were fairly comparable to 2004. Various street projects (including Thurstin Avenue) as well as routine maintenance led to the increase in transportation expenses.

As expected, program revenues make up a significant portion of the total revenues for business-type activities. Charges for services increased over \$6 million due to utility rate increases.

The electric utility had a fairly significant increase in expenses in 2005, primarily due to the increased cost of wholesale electric.

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Security of Persons and Property				
Police	\$4,931,645	\$4,531,266	\$4,594,263	\$4,282,484
Fire	4,828,269	4,652,946	4,821,834	4,640,189
Ambulance	218,321	206,983	(49,831)	(66,119)
Public Health	58,762	40,124	23,943	(14,696)
Leisure Time Activities	1,487,192	1,176,403	(10,617)	839,702
Community Environment	981,679	933,526	466,104	176,534
Basic Utility Services	567,207	802,975	552,247	721,307
Transportation	5,997,788	4,651,215	2,401,203	(2,647,609)
General Government				
Court	1,515,207	1,458,202	(35,242)	24,815
Other	2,939,860	3,637,345	2,486,489	3,407,940
Internal Service Fund External Portion	39,944	36,435	(42,965)	(23,531)
Interest and Fiscal Charges	1,102,011	980,723	1,102,011	980,723
Total Expenses	<u>\$24,667,885</u>	<u>\$23,108,143</u>	<u>\$16,309,439</u>	<u>\$12,321,739</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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 93 percent of police, over 99 percent of fire, and almost 85 percent 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 2005, billing for ambulance services exceeded the costs of providing this service (excludes the base personnel costs included with the fire department). Likewise, program revenues exceeded costs for the general government-courts program. This program is largely funded by court costs and fines. 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. The reason for the large change in the net cost of services for this program was due to the capital resources for Wooster Street received in the prior year.

**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 capital projects fund. For 2005, the General Fund had an almost 10 percent decrease in fund balance. While revenues were slightly less than expenditures, transfers to support other funds increased over \$426,000 (primarily for debt service). Expenditures exceeded revenues for both the Playground and Recreation special revenue fund and Sewer and Water Improvement capital projects fund in 2005.

**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 the water fund, while the electric and sewer funds had operating income. 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 2005, these contributions were \$139,699 in the Water fund and \$3,111,939 in the Sewer fund.

During 2005, the Electric fund experienced an operating loss, even with electric rates increasing in October 2004. As stated earlier, an additional 5 percent rate increase was effective in October 2005. In addition, the City has authorized a rate study with Sawvel and Associates to determine if additional adjustments will be necessary in 2006.

The Water fund experienced an operating loss comparable to the operating loss of 2004. Water fund revenues have not met projected growth rates in recent years. As a result, the City implemented 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. While this fund did have a small operating income in 2005, the City implemented a 10 percent rate increase in January 2005. Sewer rates had not increased since 1994.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**BUDGETARY HIGHLIGHTS**

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

The City's most significant budgeted fund is the General Fund. For revenues, modifications from the original budget to the final budget were adjusted for fines and forfeitures and interest (somewhat unpredictable revenue sources) as well as for intergovernmental revenues (conservative estimate). Changes from the final budget to actual revenues were not significant. For expenditures, modifications from the original budget to the final budget have been minimal as departments keep within their budgets. With the exception of general government-other, changes from the final budget to actual expenditures were not significant. The substantial decrease in the general government-other expenditures are the result of projects not progressing as planned. Resources had been budgeted for possible land acquisition and engineering costs for a new I-75 interchange (to be located north of Bowling green) as well as a new city hall. Progress on these projects has slowed significantly.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2005, was \$35,232,392 and \$72,860,031, 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, 2005, the City had \$785,000 in bond anticipation notes, \$10,945,000 in general obligation bonds, and \$15,062,671 in OWDA loans payable from governmental activities. Business-type activities had \$5,471,000 in bond anticipation notes and \$5,725,000 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$11,065,300, 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.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**CURRENT ISSUES**

The City has a few projects that have come to completion in recent months. Namely, the Community Center opened in August 2005 and the Water Treatment Plant Improvements, including a million gallon clearwell and high service pump were completed in 2005. Currently, the Wastewater Treatment Plant Improvements which include the Class A bio-solids improvements are rapidly approaching completion.

As our administrative team approaches retirement eligibility, strides are being made to transition institutional memory with new experienced professionals. Starting late in 2004 the following positions on the executive staff have been replaced: Parks and Recreation Director, City Engineer, Grants Administrator, Utility Director, Utility Business Office Manager/Deputy Finance Director, and most recently the Police Chief. The previously vacant positions of Water Supply Assistant Superintendent and Water Pollution Control Assistant Superintendent are now filled. The new position of Assistant Utility Director has also been filled.

As technology advances, the City has upgraded its internet web presence at [bgohio.org](http://bgohio.org).

**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 43402-2399.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Net Assets  
December 31, 2005**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$17,984,786	\$11,235,903	\$29,220,689
Cash and Cash Equivalents in Segregated Accounts	1,040		1,040
Cash and Cash Equivalents with Escrow Agents	45,706	29,155	74,861
Accounts Receivable	493,579	5,298,637	5,792,216
Accrued Interest Receivable	42,731	16,172	58,903
Due from Other Governments	1,552,145		1,552,145
Municipal Income Taxes Receivable	3,655,916		3,655,916
Other Local Taxes Receivable	48,261		48,261
Internal Balances	50,063	(50,063)	
Prepaid Items	100,066	91,122	191,188
Materials and Supplies Inventory		953,758	953,758
Property Taxes Receivable	2,325,957		2,325,957
Notes Receivable	629,144		629,144
Special Assessments Receivable	680,303		680,303
Unamortized Bond Issuance Cost	149,604	78,254	227,858
Nondepreciable Capital Assets	4,115,606	2,718,442	6,834,048
Depreciable Capital Assets, Net	42,697,182	81,527,179	124,224,361
Investment in Joint Venture		12,833,349	12,833,349
<b>Total Assets</b>	<b>74,572,089</b>	<b>114,731,908</b>	<b>189,303,997</b>
<u>Liabilities</u>			
Accrued Wages Payable	490,718	175,264	665,982
Accounts Payable	565,556	6,560,127	7,125,683
Due to Other Governments	755,388	199,804	955,192
Accrued Interest Payable	36,718	28,956	65,674
Notes Payable	480,000	5,471,000	5,951,000
Deferred Revenue	2,271,329		2,271,329
Retainage Payable	45,706	29,155	74,861
Long-Term Liabilities			
Due Within One Year	1,762,969	1,339,710	3,102,679
Due in More Than One Year	25,991,155	16,514,713	42,505,868
<b>Total Liabilities</b>	<b>32,399,539</b>	<b>30,318,729</b>	<b>62,718,268</b>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	35,232,392	72,860,031	108,092,423
Restricted for			
Debt Service	683,252		683,252
Capital Projects	9,168,182		9,168,182
Street Maintenance and Repair	733,210		733,210
Community Development	1,224,793		1,224,793
Police Levy	1,399,803		1,399,803
Fire Levy	1,688,134		1,688,134
Other	616,143		616,143
Unrestricted (Deficit)	(8,573,359)	11,553,148	2,979,789
<b>Total Net Assets</b>	<b>\$42,172,550</b>	<b>\$84,413,179</b>	<b>\$126,585,729</b>

See Accompanying Notes to the Basic Financial Statements

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**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Activities  
For the Year Ended December 31, 2005**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$4,931,645	\$151,306	\$186,076	
Fire	4,828,269	6,435		
Ambulance	218,321	268,152		
Public Health	58,762	34,559	260	
Leisure Time Activities	1,487,192	439,646	56,301	\$1,001,862
Community Environment	981,679	48,476	467,099	
Basic Utility Services	567,207	14,960		
Transportation	5,997,788	578,011	1,244,369	1,774,205
General Government				
Court	1,515,207	1,335,847	205,288	9,314
Other	2,939,860	407,370	11,603	34,398
Internal Service Fund				
External Portion	39,944	46,200		36,709
Interest and Fiscal Charges	1,102,011			
<b>Total Governmental Activities</b>	<b>24,667,885</b>	<b>3,330,962</b>	<b>2,170,996</b>	<b>2,856,488</b>
<u>Business-Type Activities</u>				
Electric	35,529,950	33,434,831		
Water	4,324,339	3,602,646		356,916
Sewer	3,852,401	3,616,889		595,044
<b>Total Business-Type Activities</b>	<b>43,706,690</b>	<b>40,654,366</b>		<b>951,960</b>
<b>Total</b>	<b>\$68,374,575</b>	<b>\$43,985,328</b>	<b>\$2,170,996</b>	<b>\$3,808,448</b>

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

Total General Revenues

Transfers

Total General Revenues and 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
(\$4,594,263)		(\$4,594,263)
(4,821,834)		(4,821,834)
49,831		49,831
(23,943)		(23,943)
10,617		10,617
(466,104)		(466,104)
(552,247)		(552,247)
(2,401,203)		(2,401,203)
35,242		35,242
(2,486,489)		(2,486,489)
42,965		42,965
(1,102,011)		(1,102,011)
(16,309,439)		(16,309,439)
	(\$2,095,119)	(2,095,119)
	(364,777)	(364,777)
	359,532	359,532
	(2,100,364)	(2,100,364)
(16,309,439)	(2,100,364)	(18,409,803)
1,460,596		1,460,596
536,385		536,385
14,145,773		14,145,773
2,042,941		2,042,941
2,324,121		2,324,121
259,862		259,862
557,585	294,226	851,811
446,487	1,097,831	1,544,318
21,773,750	1,392,057	23,165,807
(3,251,638)	3,251,638	
18,522,112	4,643,695	23,165,807
2,212,673	2,543,331	4,756,004
39,959,877	81,869,848	121,829,725
\$42,172,550	\$84,413,179	\$126,585,729

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Balance Sheet  
Governmental Funds  
December 31, 2005**

	General	Playground and Recreation	Sewer and Water Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$4,981,311	\$241,616	\$4,890,775	\$7,686,389	\$17,800,091
Cash and Cash Equivalents in Segregated Accounts				1,040	1,040
Accounts Receivable	481,204			710	481,914
Accrued Interest Receivable	42,731				42,731
Due from Other Governments	1,083,415	27,941		440,789	1,552,145
Municipal Income Taxes Receivable	1,428,001	95,104	951,906	1,180,905	3,655,916
Other Local Taxes Receivable	34,286			13,975	48,261
Interfund Receivable	561,822				561,822
Prepaid Items	100,066				100,066
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	28,253				28,253
Cash and Cash Equivalents with Escrow Agents			34,128	11,578	45,706
Property Taxes Receivable	1,731,504	594,453			2,325,957
Notes Receivable				629,144	629,144
Special Assessments Receivable				680,303	680,303
<b>Total Assets</b>	<b>\$10,472,593</b>	<b>\$959,114</b>	<b>\$5,876,809</b>	<b>\$10,644,833</b>	<b>\$27,953,349</b>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$327,763	\$26,085		\$127,455	\$481,303
Accounts Payable	283,833	39,673	\$85,300	153,595	562,401
Due to Other Governments	492,276	27,432		225,612	745,320
Interfund Payable	72,135	416,484	10,401	35,937	534,957
Notes Payable				480,000	480,000
Deferred Revenue	3,894,903	686,917	645,817	1,833,127	7,060,764
Retainage Payable			34,128	11,578	45,706
<b>Total Liabilities</b>	<b>5,070,910</b>	<b>1,196,591</b>	<b>775,646</b>	<b>2,867,304</b>	<b>9,910,451</b>
<u>Fund Balance</u>					
Reserved for Interfund Receivable	347,700				347,700
Reserved for Unclaimed Monies	28,253				28,253
Reserved for Notes Receivable				432,868	432,868
Reserved for Encumbrances	546,494	50,248	1,671,934	708,020	2,976,696
Unreserved, Reported in					
General Fund	4,479,236				4,479,236
Special Revenue Funds (Deficit)		(287,725)		4,386,742	4,099,017
Debt Service Fund				145,893	145,893
Capital Projects Funds			3,429,229	2,104,006	5,533,235
<b>Total Fund Balance (Deficit)</b>	<b>5,401,683</b>	<b>(237,477)</b>	<b>5,101,163</b>	<b>7,777,529</b>	<b>18,042,898</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$10,472,593</b>	<b>\$959,114</b>	<b>\$5,876,809</b>	<b>\$10,644,833</b>	<b>\$27,953,349</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
December 31, 2005**

Total Governmental Fund Balance		\$18,042,898
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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	46,812,788	
Internal Service Fund	(68,621)	
		46,744,167

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

Accounts Receivable	460,002	
Accrued Interest Receivable	32,467	
Due from Other Governments	1,078,672	
Municipal Income Taxes Receivable	1,910,774	
Other Local Taxes Receivable	3,020	
Property Taxes Receivable	624,197	
Special Assessments Receivable	680,303	
		4,789,435

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(10,737)
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Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		149,604
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(36,718)	
Notes Payable	(305,000)	
General Obligation Bonds Payable	(11,051,226)	
OWDA Loans Payable	(15,062,671)	
Compensated Absences Payable	(1,335,227)	
Compensated Absences Payable-Internal Service Fund	70,022	
		(27,720,820)

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.		178,003
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Net Assets of Governmental Activities		\$42,172,550
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See Accompanying Notes to the Basic Financial Statements

**CITY F BOWLING GREEN  
WOOD COUNTY**

**Statement of Revenues, Expenditures,  
and Change in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005**

	General	Playground and Recreation	Sewer and Water Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,450,602	\$533,523			\$1,984,125
Municipal Income Taxes	4,935,251	329,025	\$3,290,202	\$4,079,481	12,633,959
Other Local Taxes	2,295,668			171,838	2,467,506
Special Assessments				58,273	58,273
Charges for Services	1,176,538	432,793		240,811	1,850,142
Fees, Licenses, and Permits	296,752		14,885	8,038	319,675
Fines and Forfeitures	579,147			273,606	852,753
Intergovernmental	2,222,631	67,153	592,702	1,793,026	4,675,512
Interest	552,965			123,334	676,299
Other	160,937	18,977	61,040	201,903	442,857
<b>Total Revenues</b>	<b>13,670,491</b>	<b>1,381,471</b>	<b>3,958,829</b>	<b>6,950,310</b>	<b>25,961,101</b>
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	3,485,274			1,256,781	4,742,055
Fire	2,389,028			2,235,660	4,624,688
Ambulance	101,378			82,457	183,835
Public Health	57,313			39	57,352
Leisure Time Activities		1,448,453			1,448,453
Community Environment	617,643			381,653	999,296
Basic Utility Services	618,348				618,348
Transportation	2,176,616			1,690,545	3,867,161
General Government					
Court	1,262,635			70,861	1,333,496
Other	3,018,190	14,044		167,750	3,199,984
Other	191				191
Capital Outlay			3,455,955	2,852,310	6,308,265
Debt Service					
Principal Retirement			2,594,067	660,000	3,254,067
Current Refunding				35,000	35,000
Interest and Fiscal Charges			637,002	458,907	1,095,909
<b>Total Expenditures</b>	<b>13,726,616</b>	<b>1,462,497</b>	<b>6,687,024</b>	<b>9,891,963</b>	<b>31,768,100</b>
Excess of Revenues					
Under Expenditures	(56,125)	(81,026)	(2,728,195)	(2,941,653)	(5,806,999)
<u>Other Financing Sources (Uses)</u>					
Bond Anticipation Notes Issued				305,000	305,000
Current Refunding				(305,000)	(305,000)
OWDA Loans Issued			2,157,709		2,157,709
Transfers In				1,340,345	1,340,345
Transfers Out	(520,976)	(30,683)		(788,686)	(1,340,345)
<b>Total Other Financing Sources (Uses)</b>	<b>(520,976)</b>	<b>(30,683)</b>	<b>2,157,709</b>	<b>551,659</b>	<b>2,157,709</b>
Change in Fund Balance	(577,101)	(111,709)	(570,486)	(2,389,994)	(3,649,290)
Fund Balance (Deficit) Beginning of Year - Restated (Note 3)	5,978,784	(125,768)	5,671,649	10,167,523	21,692,188
<b>Fund Balance (Deficit) End of Year</b>	<b>\$5,401,683</b>	<b>(\$237,477)</b>	<b>\$5,101,163</b>	<b>\$7,777,529</b>	<b>\$18,042,898</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures,  
and Change in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2005**

Change in Fund Balance - Total Governmental Funds (\$3,649,290)

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	3,326,170	
Capital Contributions	2,774,205	
Capital Contributions-Internal Service Fund	36,709	
Depreciation	(2,573,386)	
Depreciation-Internal Service Fund	<u>7,643</u>	3,571,341

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities. (73,349)

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

Property Taxes	12,856	
Municipal Income Taxes	1,511,814	
Other Local Taxes	7,135	
Special Assessments	(41,593)	
Charges for Services	24,203	
Fines and Forfeitures	446	
Intergovernmental	(215,983)	
Interest	4,620	
Other	<u>10,483</u>	1,313,981

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	402,500	
General Obligation Bonds Payable	660,000	
OWDA Loans Payable	<u>2,531,567</u>	3,594,067

Note 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	(305,000)	
OWDA Loans Issued	<u>(2,157,709)</u>	(2,462,709)

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

Accrued Interest Payable	(3,487)	
Amortization of Premium	<u>6,406</u>	2,919

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. (9,021)

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

Compensated Absences Payable	(142,221)	
Compensated Absences Payable - Internal Service Fund	<u>10,024</u>	(132,197)

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures,  
and Change in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2005  
(continued)**

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.	\$50,675
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.	<u>6,256</u>
Change in Net Assets of Governmental Activities	<u><u>\$2,212,673</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  
Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
For the Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,420,589	\$1,462,826	\$1,458,788	(\$4,038)
Municipal Income Taxes	5,025,000	5,289,317	5,497,426	208,109
Other Local Taxes	1,971,164	2,047,743	2,268,256	220,513
Charges for Services	2,247,753	1,156,732	1,189,809	33,077
Fees, Licenses, and Permits	600,000	53,515	296,352	242,837
Fines and Forfeitures		498,000	567,310	69,310
Intergovernmental	843,129	2,805,659	2,237,717	(567,942)
Interest		350,000	627,056	277,056
Other	351,000	11,850	154,697	142,847
<b>Total Revenues</b>	<b>12,458,635</b>	<b>13,675,642</b>	<b>14,297,411</b>	<b>621,769</b>
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	3,717,304	3,717,304	3,458,350	258,954
Fire	2,612,945	2,825,489	2,610,575	214,914
Ambulance	176,269	176,269	101,831	74,438
Public Health	62,855	62,855	56,964	5,891
Community Environment	882,625	882,625	688,641	193,984
Basic Utility Services	672,580	672,580	639,287	33,293
Transportation	2,425,840	2,425,840	2,202,168	223,672
General Government				
Court	1,379,778	1,379,778	1,244,256	135,522
Other	5,461,025	5,140,524	3,312,869	1,827,655
Other	1,000	1,000	191	809
<b>Total Expenditures</b>	<b>17,392,221</b>	<b>17,284,264</b>	<b>14,315,132</b>	<b>2,969,132</b>
Excess of Revenues Under Expenditures	(4,933,586)	(3,608,622)	(17,721)	3,590,901
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	57,950	3,850	3,636	(214)
Advances In	43,000	43,000	43,000	
Transfers In		57,950	57,950	
Transfers Out		(520,976)	(520,976)	
<b>Total Other Financing Sources (Uses)</b>	<b>100,950</b>	<b>(416,176)</b>	<b>(416,390)</b>	<b>(214)</b>
<b>Change in Fund Balance</b>	<b>(4,832,636)</b>	<b>(4,024,798)</b>	<b>(434,111)</b>	<b>3,590,687</b>
Fund Balance Beginning of Year	4,359,801	4,359,801	4,359,801	
Prior Year Encumbrances Appropriated	397,756	397,756	397,756	
<b>Fund Balance (Deficit) End of Year</b>	<b>(\$75,079)</b>	<b>\$732,759</b>	<b>\$4,323,446</b>	<b>\$3,590,687</b>

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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$524,145	\$534,608	\$536,871	\$2,263
Municipal Income Taxes	334,665	352,606	366,466	13,860
Charges for Services	278,731	674,244	418,662	(255,582)
Intergovernmental	58,238	68,549	67,153	(1,396)
Other	15,000	12,741	18,977	6,236
Total Revenues	<u>1,210,779</u>	<u>1,642,748</u>	<u>1,408,129</u>	<u>(234,619)</u>
<u>Expenditures</u>				
Current:				
Leisure Time Activities	1,600,041	1,764,341	1,474,051	290,290
General Government				
Other	14,698	14,698	14,075	623
Total Expenditures	<u>1,614,739</u>	<u>1,779,039</u>	<u>1,488,126</u>	<u>290,913</u>
Excess of Revenues Under Expenditures	(403,960)	(136,291)	(79,997)	56,294
<u>Other Financing Uses</u>				
Transfers Out	(88,633)	(88,633)	(88,633)	
Change in Fund Balance	(492,593)	(224,924)	(168,630)	56,294
Fund Balance Beginning of Year	300,082	300,082	300,082	
Prior Year Encumbrances Appropriated	33,303	33,303	33,303	
Fund Balance (Deficit) End of Year	<u>(\$159,208)</u>	<u>\$108,461</u>	<u>\$164,755</u>	<u>\$56,294</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2005**

	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	\$3,496,906	\$4,528,525	\$3,210,472	\$11,235,903	\$156,442
Accounts Receivable	4,481,473	338,104	479,060	5,298,637	11,665
Accrued Interest Receivable	199	13,015	2,958	16,172	
Interfund Receivable	51,884	22,816	46,624	121,324	34,953
Prepaid Items	36,990	27,066	27,066	91,122	
Materials and Supplies Inventory	766,330	130,323	57,105	953,758	
Restricted Assets					
Cash and Cash Equivalents with Escrow Agents		29,155		29,155	
<b>Total Current Assets</b>	<b>8,833,782</b>	<b>5,089,004</b>	<b>3,823,285</b>	<b>17,746,071</b>	<b>203,060</b>
<u>Non-Current Assets</u>					
Unamortized Bond Issuance Cost	9,910	15,104	53,240	78,254	
Nondepreciable Capital Assets	451,543	309,697	1,957,202	2,718,442	
Depreciable Capital Assets, Net	15,840,300	27,230,518	38,456,361	81,527,179	68,621
Investment in Joint Venture	12,833,349			12,833,349	
<b>Total Non-Current Assets</b>	<b>29,135,102</b>	<b>27,555,319</b>	<b>40,466,803</b>	<b>97,157,224</b>	<b>68,621</b>
<b>Total Assets</b>	<b>37,968,884</b>	<b>32,644,323</b>	<b>44,290,088</b>	<b>114,903,295</b>	<b>271,681</b>
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	79,217	44,219	51,828	175,264	9,415
Accounts Payable	6,248,220	163,359	148,548	6,560,127	3,155
Due to Other Governments	95,360	48,001	56,443	199,804	10,068
Interfund Payable	136,908	7,210	38,006	182,124	1,018
Accrued Interest Payable	16,627	2,725	9,604	28,956	
Notes Payable	5,471,000			5,471,000	
Retainage Payable		29,155		29,155	
General Obligation Bonds Payable	60,000	45,000	165,000	270,000	
Compensated Absences Payable	118,726	62,106	71,100	251,932	
Capital Leases Payable			48,362	48,362	
AMP Ohio Payable	769,416			769,416	
<b>Total Current Liabilities</b>	<b>12,995,474</b>	<b>401,775</b>	<b>588,891</b>	<b>13,986,140</b>	<b>23,656</b>
<u>Non-Current Liabilities</u>					
General Obligation Bonds Payable	672,037	1,070,724	3,767,803	5,510,564	
Compensated Absences Payable	220,041	160,446	163,860	544,347	70,022
Capital Leases Payable			163,918	163,918	
AMP Ohio Payable	10,295,884			10,295,884	
<b>Total Non-Current Liabilities</b>	<b>11,187,962</b>	<b>1,231,170</b>	<b>4,095,581</b>	<b>16,514,713</b>	<b>70,022</b>
<b>Total Liabilities</b>	<b>24,183,436</b>	<b>1,632,945</b>	<b>4,684,472</b>	<b>30,500,853</b>	<b>93,678</b>
<u>Net Assets</u>					
Invested in Capital Assets, Net of Related Debt	10,098,716	26,439,595	36,321,720	72,860,031	68,621
Unrestricted	3,686,732	4,571,783	3,283,896	11,542,411	109,382
<b>Total Net Assets</b>	<b>\$13,785,448</b>	<b>\$31,011,378</b>	<b>\$39,605,616</b>	<b>84,402,442</b>	<b>\$178,003</b>
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.				10,737	
Net assets of business-type activities				<u>\$84,413,179</u>	

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Revenues, Expenses,  
and Change in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2005**

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Operating Revenues</u>					
Charges for Services	\$31,491,541	3,614,950	\$3,622,931	\$38,729,422	\$460,665
Other	739,496	40,683	327,518	1,107,697	1,334
<b>Total Operating Revenues</b>	<b>32,231,037</b>	<b>3,655,633</b>	<b>3,950,449</b>	<b>39,837,119</b>	<b>461,999</b>
<u>Operating Expenses</u>					
Purchased Power	28,236,759			28,236,759	
Plant Operation		1,343,222	265,262	1,608,484	
Plant Maintenance		323,239	444,100	767,339	
Distribution Operation	1,450,278	429,026	128,415	2,007,719	
Distribution Maintenance	1,420,668	426,699	453,651	2,301,018	
Customer Account Collection	299,287	105,032	109,075	513,394	
Administrative and General	1,328,720	774,649	1,272,355	3,375,724	
Depreciation	1,118,458	884,081	1,038,703	3,041,242	7,643
Other					391,794
<b>Total Operating Expenses</b>	<b>33,854,170</b>	<b>4,285,948</b>	<b>3,711,561</b>	<b>41,851,679</b>	<b>399,437</b>
<b>Operating Income (Loss)</b>	<b>(1,623,133)</b>	<b>(630,315)</b>	<b>238,888</b>	<b>(2,014,560)</b>	<b>62,562</b>
<u>Non-Operating Revenues (Expenses)</u>					
Grants	5,497			5,497	
Excise Taxes	1,510,011			1,510,011	
Excise Taxes Expense	(1,510,011)			(1,510,011)	
Interest Revenue	81,370	126,725	86,131	294,226	
Interest Expense	(172,967)	(45,867)	(175,591)	(394,425)	
Investment in Joint Venture	443,364			443,364	
<b>Total Non-Operating Revenues (Expenses)</b>	<b>357,264</b>	<b>80,858</b>	<b>(89,460)</b>	<b>348,662</b>	
<b>Income before Contributions</b>	<b>(1,265,869)</b>	<b>(549,457)</b>	<b>149,428</b>	<b>(1,665,898)</b>	<b>62,562</b>
<b>Capital Contributions</b>		<b>496,615</b>	<b>3,706,983</b>	<b>4,203,598</b>	<b>36,709</b>
<b>Change in Net Assets</b>	<b>(1,265,869)</b>	<b>(52,842)</b>	<b>3,856,411</b>	<b>2,537,700</b>	<b>99,271</b>
<b>Net Assets Beginning of Year</b>	<b>15,051,317</b>	<b>31,064,220</b>	<b>35,749,205</b>		<b>78,732</b>
<b>Net Assets End of Year</b>	<b>\$13,785,448</b>	<b>\$31,011,378</b>	<b>\$39,605,616</b>		<b>\$178,003</b>
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.				5,631	
<b>Change in net assets of business-type activities</b>				<b>\$2,543,331</b>	

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2005**

	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	\$30,027,287	\$3,643,065	\$3,483,547	\$37,153,899	
Cash Received from Transactions with Other Funds					\$444,381
Cash Payments for Purchased Power	(25,415,734)			(25,415,734)	
Cash Payments for Plant Operation		(1,462,234)	(206,506)	(1,668,740)	
Cash Payments for Plant Maintenance		(323,592)	(463,408)	(787,000)	
Cash Payments for Distribution Operation	(1,335,890)	(381,545)	(121,129)	(1,838,564)	
Cash Payments for Distribution Maintenance	(1,429,223)	(412,876)	(470,470)	(2,312,569)	
Cash Payments for Customer Account Collection	(293,209)	(111,899)	(125,220)	(530,328)	
Cash Payments for Administrative and General	(1,494,053)	(751,982)	(1,260,481)	(3,506,516)	
Cash Received from Other Revenues	729,630	40,683	327,518	1,097,831	1,334
Cash Payments for Other Expenses					(379,154)
Net Cash Provided by Operating Activities	788,808	239,620	1,163,851	2,192,279	66,561
<u>Cash Flows from Noncapital Financing Activities</u>					
Grants	5,497			5,497	
Cash Received from Excise Taxes	1,510,011			1,510,011	
Cash Payments for Excise Tax Distribution	(1,510,011)			(1,510,011)	
Net Cash Provided by Noncapital Financing Activities	5,497			5,497	
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(6,056,000)		(62,500)	(6,118,500)	
Principal Paid on General Obligation Bonds	(60,000)	(45,000)	(165,000)	(270,000)	
Principal Paid on Capital Leases			(73,667)	(73,667)	
Interest Paid on Bond Anticipation Notes	(141,920)			(141,920)	
Interest Paid on General Obligation Bonds	(27,425)	(45,800)	(161,663)	(234,888)	
Interest Paid on Capital Leases			(13,681)	(13,681)	
Proceeds of Bond Anticipation Notes	5,471,000			5,471,000	
Acquisition of Capital Assets	(282,086)	(429,264)	(728,938)	(1,440,288)	
Net Cash Used for Capital and Related Financing Activities	(1,096,431)	(520,064)	(1,205,449)	(2,821,944)	
<u>Cash Flows from Investing Activities</u>					
Interest	86,361	115,402	94,082	295,845	
Net Increase (Decrease) in Cash and Cash Equivalents	(215,765)	(165,042)	52,484	(328,323)	66,561
Cash and Cash Equivalents Beginning of Year	3,712,671	4,722,722	3,157,988	11,593,381	89,881
Cash and Cash Equivalents End of Year	\$3,496,906	\$4,557,680	\$3,210,472	\$11,265,058	\$156,442

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2005  
(continued)**

	Business-Type Activities			Total Enterprise Funds	Governmental
	Electric	Water	Sewer		Activity Internal Service Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Operating Income (Loss)	(\$1,623,133)	(\$630,315)	\$238,888	(\$2,014,560)	\$62,562
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Depreciation	1,118,458	884,081	1,038,703	3,041,242	7,643
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(1,439,733)	36,572	(111,207)	(1,514,368)	(8,337)
Increase in Interfund Receivable	(34,387)	(8,457)	(28,177)	(71,021)	(7,947)
Decrease in Prepaid Items	4,064	5,394	6,247	15,705	
(Increase) Decrease in Materials and Supplies Inventory	(103,614)	41,953	(37,169)	(98,830)	
Increase (Decrease) in Accrued Wages Payable	(28,476)	(1,923)	4,153	(26,246)	551
Increase (Decrease) in Accounts Payable	3,093,530	(115,553)	35,511	3,013,488	(821)
Increase (Decrease) in Due to Other Governments	(127,021)	6,811	10,508	(109,702)	2,120
Increase in Interfund Payable	4,228	2,740	21,121	28,089	766
Increase in Retainage Payable		29,155		29,155	
Increase (Decrease) in Compensated Absences Payable	(75,108)	(10,838)	(14,727)	(100,673)	10,024
Net Cash Provided by Operating Activities	\$788,808	\$239,620	\$1,163,851	\$2,192,279	\$66,561

Non-Cash Capital Financing Activities:

During 2005, the Water and Sewer enterprise funds received capital assets donated by developers and private contractors, in the amount of \$356,916 and \$595,044, respectively. The Water and Sewer enterprise funds also received capital assets that were constructed in the City's governmental funds, in the amount of \$139,699 and \$3,111,939, respectively.

The Engineering internal service fund received assets that were purchased by governmental funds, in the amount of \$36,709.

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2005**

Assets

Cash and Cash Equivalents in Segregated Accounts	\$253,485
Special Assessments Receivable	<u>499,923</u>
Total Assets	<u><u>\$753,408</u></u>

Liabilities

Undistributed Assets	<u><u>\$753,408</u></u>
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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, 2005**

**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 2005.

The City participates in two insurance pools, three joint ventures, and a jointly governed organization. These organizations are the Buckeye Ohio Risk Management Agency (BORMA), the 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), the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6), and the Bowling Green Central Business Special Improvement District Inc. (SID). These organizations are presented in Notes 22, 23, and 24 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, 2005  
(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, 2005  
(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.

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, 2005  
(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 2005. 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.

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.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**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 appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

**F. Cash and Investments**

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

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

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

During 2005, the City invested in nonnegotiable certificates of deposit, federal agency securities, 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, 2005.

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 2005 was \$552,965, which includes \$413,282 assigned from other City funds.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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, 2005, 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.

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	25 years	N/A
Buildings	15-50 years	15-50 years
Equipment	1-20 years	1-20 years
Vehicles	3-10 years	3-10 years
Streets	15-25 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.

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.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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 by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance of state highways, various police department related activities, and cemetery maintenance. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2005, net assets restricted by enabling legislation were \$8,342,280 for governmental activities.

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 interfund receivable, unclaimed monies, notes receivable, 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 for governmental activities as well as those on the proprietary fund statements arise from contributions from other funds, other governments, and outside contributions of capital assets.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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. Neither type of transaction occurred during 2005.

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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF NET ASSETS/FUND BALANCE**

A. Change in Accounting Principles

For 2005, the City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosure" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the City's financial statements.

B. Correction of an Error

Accounts payable were recorded incorrectly in the prior year. As a result, net assets of governmental activities increased \$126,513 from \$39,833,364 to \$39,959,877 as of December 31, 2004.

In prior years, the City recorded the acquisition of its own debt as an investment; however, this activity should be recorded as an interfund loan.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF NET ASSETS/FUND BALANCE – (Continued)**

C. Restatement of Fund Balance

The restatement due to the correction of the above errors had the following effect on fund balance of the major and nonmajor funds of the City as they were previously reported.

	General	Playground And Recreation	Sewer and Water Improvement	Other Governmental	Total Governmental Funds
Fund Balance (Deficit) December 31, 2004	\$5,978,784	(\$125,768)	\$5,671,649	\$10,110,010	\$21,634,675
Accounts Payable				126,513	126,513
Manuscript Debt				(69,000)	(69,000)
Restated Fund Balance (Deficit) December 31, 2004	<u>\$5,978,784</u>	<u>(\$125,768)</u>	<u>\$5,671,649</u>	<u>\$10,167,523</u>	<u>\$21,692,188</u>

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

At December 31, 2005, the Off Street Parking and Playground and Recreation special revenue funds and Greenspace Acquisition capital project fund had deficit fund balances, in the amount of \$25,719, \$237,477, and \$476,221, 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 General Fund and the Playground and Recreation special revenue fund had original appropriations in excess of estimated resources for the year ended December 31, 2005, in the amount of \$75,079 and \$159,208, respectively. However, appropriations were modified so final appropriations would be within statutory limits.

**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).

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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).

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	(\$577,101)	(\$111,709)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2004, Received in Cash 2005	1,581,319	68,022
Accrued 2005, Not Yet Received in Cash	(1,036,410)	(30,581)
Expenditure Accruals:		
Accrued 2004, Paid in Cash 2005	(\$1,149,475)	(\$67,333)
Accrued 2005, Not Yet Paid in Cash	1,176,007	104,024
Cash Adjustments:		
Unrecorded Activity 2004	136,346	3,758
Unrecorded Activity 2005	(50,699)	(14,541)
Prepaid Items	20,371	
Advances In	43,000	
Transfers In	57,950	
Transfers Out		(57,950)
Encumbrances Outstanding at Year End (Budget Basis)	(635,419)	(62,320)
Budget Basis	(\$434,111)	(\$168,630)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS**

Monies held by the City are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)**

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$10,026,721 of the City's bank balance of \$25,452,917 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2005, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$484,600	August 28, 2006
Federal Home Loan Bank Notes	994,500	February 15, 2006
Federal Home Loan Mortgage Corporation Notes	496,450	February 28, 2006
Federal Home Loan Mortgage Corporation Notes	982,100	May 23, 2006
STAR Ohio	1,600,634	39.41 days
Total Investments	<u>\$4,558,284</u>	

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)**

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Finance Director from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within three years from the date of investment unless they are matched to a specific obligation or debt of the City.

The federal agency securities all carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal National Mortgage Association Notes	\$484,600	10.6%
Federal Home Loan Bank Notes	994,500	21.8
Federal Home Loan Mortgage Corporation Notes	1,478,550	32.4

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2005, 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 \$432,868, will not be received within one year. Special assessments receivable, in the amount of \$640,329, will not be received within one year. At December 31, 2005, the amount of delinquent special assessments was \$744.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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	\$61,578
Charges for Services	45,007
Fees, Licenses, and Permits	1,300
Fines and Forfeitures	45,502
Local Government	698,329
Usage Tax	17,118
Estate Tax	214,581
Total General Fund	1,083,415
Playground and Recreation	
Homestead and Rollback	21,088
State of Ohio	6,853
Total Playground and Recreation Fund	27,941
Total Major Funds	1,111,356
	(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 7 – RECEIVABLES – (Continued)**

	Amount
Governmental Activities (continued)	
Nonmajor Funds	
Street Maintenance and Repair	
Gasoline Tax	\$277,289
Auto Registration	77,937
Motor Vehicle License Tax	21,351
Total Street Maintenance and Repair	376,577
State Highway	
Gasoline Tax	22,483
Auto Registration	6,319
Total State Highway	28,802
ODOT Transportation	
ODOT Transportation	12,535
Law Enforcement Trust	
Fees, Licenses, and Permits	370
Law Enforcement Drug	
Fines and Forfeitures	1,035
Indigent Drivers Alcohol	
Fines and Forfeitures	839
Education and Enforcement	
Fines and Forfeitures	554
Municipal Probation Services	
Charges for Services	6,484
Municipal Court Computerization	
Charges for Services	441
Municipal Court Special Projects	
Charges for Services	735
Fines and Forfeitures	12,417
Total Municipal Court Special Projects	13,152
Total Nonmajor Funds	440,789
Total Governmental Activities	\$1,552,145

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 5.5 percent and are to be repaid over periods ranging from three to twenty years. A summary of the changes in notes receivable during 2005 follows:

	Balance December 31, 2004	New Loans	Repayments	Balance December 31, 2005	Due Within One Year
Special Revenue Fund					
CDBG					
Revolving Loan Program	\$417,657	\$191,282	\$182,120	\$426,819	\$165,034
Home Program	198,585		15,433	183,152	20,286
Downtown Revolving Loan Program	43,651		24,478	19,173	10,956
Total Notes Receivable	<u>\$659,893</u>	<u>\$191,282</u>	<u>\$222,031</u>	<u>\$629,144</u>	<u>\$196,276</u>

**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.

**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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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.

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 10 - PROPERTY TAXES – (Continued)**

Public utility property tax revenues received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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, 2005, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2005 operations and collection of delinquent real property taxes during the available period is not subject to reasonable estimation. On the full accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

The full tax rate for all City operations for the year ended December 31, 2005, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$252,869,280
Commercial/Industrial	146,076,140
Public Utility Real	11,910
Public Utility Personal	4,086,780
Tangible Personal	47,356,851
Total	\$450,400,961

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$2,738,457	\$554,722		\$3,293,179
Construction in Progress	9,090,054	5,844,335	(\$14,111,962)	822,427
Total Nondepreciable Capital Assets	<u>11,828,511</u>	<u>6,399,057</u>	<u>(14,111,962)</u>	<u>4,115,606</u>
Depreciable Capital Assets				
Land Improvements	2,017,598			2,017,598
Buildings	13,777,843	4,623,748		18,401,591
Equipment	1,709,766	320,050	(112,418)	1,917,398
Vehicles	5,323,135	458,211	(126,084)	5,655,262
Streets	38,101,705	8,447,980		46,549,685
Total Depreciable Capital Assets	<u>60,930,047</u>	<u>13,849,989</u>	<u>(238,502)</u>	<u>74,541,534</u>
Less Accumulated Depreciation for				
Land Improvements	(738,708)	(79,965)		(818,673)
Buildings	(4,794,667)	(313,856)		(5,108,523)
Equipment	(1,021,010)	(127,666)	71,945	(1,076,731)
Vehicles	(3,217,560)	(507,062)	93,208	(3,631,414)
Streets	(19,664,174)	(1,544,837)		(21,209,011)
Total Accumulated Depreciation	<u>(29,436,119)</u>	<u>(2,573,386)</u>	<u>165,153</u>	<u>(31,844,352)</u>
Total Depreciable Capital Assets, Net	<u>31,493,928</u>	<u>11,276,603</u>	<u>(73,349)</u>	<u>42,697,182</u>
Governmental Activities Capital Assets, Net	<u>\$43,322,439</u>	<u>\$17,675,660</u>	<u>(\$14,185,311)</u>	<u>\$46,812,788</u>

During 2005, the City accepted contributions of depreciable capital assets for governmental activities with a fair value of \$2,774,205.

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$1,928,221	\$139,286		\$2,067,507
Construction in Progress	5,754,046	619,114	(\$5,722,225)	650,935
Total Nondepreciable Capital Assets	<u>7,682,267</u>	<u>758,400</u>	<u>(5,722,225)</u>	<u>2,718,442</u>

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 11 - CAPITAL ASSETS – (Continued)**

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
Business-Type Activities (continued):				
Depreciable Capital Assets				
Buildings	\$47,937,124	\$7,607,358		\$55,544,482
Equipment	2,001,530	69,153	(\$1,331)	2,069,352
Vehicles	3,829,536	286,744	(75,479)	4,040,801
Electric, Water, Sewer, and Storm Sewer Lines	79,749,751	2,644,456		82,394,207
<b>Total Depreciable Capital Assets</b>	<b>133,517,941</b>	<b>10,607,711</b>	<b>(76,810)</b>	<b>144,048,842</b>
Less Accumulated Depreciation for				
Buildings	(24,527,662)	(1,018,220)		(25,545,882)
Equipment	(1,635,003)	(154,928)	1,331	(1,788,600)
Vehicles	(2,961,864)	(255,051)	75,479	(3,141,436)
Electric, Water, Sewer, and Storm Sewer Lines	(30,432,702)	(1,613,043)		(32,045,745)
<b>Total Accumulated Depreciation</b>	<b>(59,557,231)</b>	<b>(3,041,242)</b>	<b>76,810</b>	<b>(62,521,663)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>73,960,710</b>	<b>7,566,469</b>		<b>81,527,179</b>
Business-Type Activities Capital Assets, Net	\$81,642,977	\$8,324,869	(\$5,722,225)	\$84,245,621

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	\$190,951
Security of Persons and Property-Fire	179,059
Security of Persons and Property-Ambulance	34,486
Public Health	1,727
Leisure Time Activities	94,065
Community Environment	8,254
Transportation	1,605,953
General Government-Court	116,443
General Government-Other	342,448
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$2,573,386</b>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 12 - INTERFUND BALANCES**

Interfund balances at December 31, 2005, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Playground and Recreation	\$405,650
Other Governmental	26,000
Electric	130,172
Total General Fund	<u>\$561,822</u>

Due to Electric Fund from:

General	\$6,171
Playground and Recreation	9,299
Sewer and Water Capital Improvement	10,401
Other Governmental	564
Water	3,613
Sewer	21,836
Total Electric Fund	<u>\$51,884</u>

Due to Water Fund from:

General	\$6,366
Playground and Recreation	406
Other Governmental	3,741
Electric	2,316
Sewer	9,987
Total Water Fund	<u>\$22,816</u>

Due to Sewer Fund from:

General	\$33,122
Playground and Recreation	1,129
Other Governmental	5,313
Electric	4,150
Water	1,892
Internal Service	1,018
Total Sewer Fund	<u>\$46,624</u>

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 12 - INTERFUND BALANCES – (Continued)**

Due to Internal Service Fund from:

General	\$26,476
Other Governmental	319
Electric	270
Water	1,705
Sewer	6,183
	\$34,953
Total Internal Service Fund	\$34,953

The balances due to the General, Electric, Water, Sewer, and Internal Service funds resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts, except for 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 \$405,650 owed by the Playground and Recreation special revenue fund:

Year Ending December 31,	Principal
2006	\$57,950
2007	57,950
2008	57,950
2009	57,950
2010	57,950
2011 - 2012	115,900
Total	\$405,650

**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 2005, the City contracted with the Buckeye Ohio Risk Management Agency (BORMA) for property, liability, and crime insurance. The BORMA program is subject to a \$150,000 deductible for any property or liability loss. Coverage provided by BORMA is as follows:

Property	
Building and Contents	\$99,139,310
Flood Annual Aggregate	21,000,000
Earthquake Annual Aggregate	21,000,000
Boiler and Machinery	50,000,000
General Liability	
Per Occurrence	2,000,000

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 13 - RISK MANAGEMENT – (Continued)**

Employee Benefit Liability	\$2,000,000
Ohio Stop Gap Liability	2,000,000
Public Official Liability	
Per Occurrence	2,000,000
Annual Aggregate	2,000,000
Law Enforcement Professional Liability	2,000,000
Automobile Liability	2,000,000
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	8,000,000
Annual Aggregate	8,000,000

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

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

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.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 14 - CONTRACTUAL COMMITMENTS**

At December 31, 2005, the City had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Verizon	Upgrade Phone System	\$184,514
Warren Fire Equipment	Breathing Apparatus Equipment	165,744
JDR Excavating	Innovative Technology Park	839,537
Miller Pipeline	Sewer Improvements	81,075
Anderzak-Pitzen	East Napoleon Road Ditch Enclosure	228,785
Horton Emergency Vehicles	Ambulance	172,425
Crimson Fire	Fire Truck	171,629
Retzke/Snyder	WWTP & Solids Handling Improvements	161,527
Retzke/Snyder	WTP Multi-tech & GAC Improvements	128,698
Erie Welding	WTP Multi-tech & GAC Improvements	7,931
Mosser Construction	Lime Silo Storage and Transfer System	258,900
Laibe Electric	BGSU Solar Cell Project	63,719
American Municipal Ohio - MESA	Tree Trimming Services	80,000

**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.

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS – (Continued)**

For the year ended December 31, 2005, 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 2005 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, 2005, 2004, and 2003, were \$952,698, \$908,762, and \$787,922, respectively; 87 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$125,316, is recorded as a liability. Contributions to the member-directed plan for 2005 were \$10,833 made by the City and \$6,796 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, 2005, 2004, and 2003, were \$803,097, \$767,033, and \$740,487, respectively; 70 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$238,569, is recorded as a liability.

**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 2005 employer contribution rate was 13.55 percent of covered payroll; 4 percent was the portion used to fund health care.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 16 - POSTEMPLOYMENT BENEFITS – (Continued)**

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, 2004, 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 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits was \$403,573. 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, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**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.

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 2005. 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.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 16 - POSTEMPLOYMENT BENEFITS – (Continued)**

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$197,611 for police and \$240,127 for firefighters. The OPF's total health care expense for the year ended December 31, 2004 (the latest information available), was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OPF participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 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, 2005, were as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>
<u>Governmental Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
<u>Capital Projects Funds</u>					
2002 Real Estate Acquisition	0.00%	\$62,500		\$62,500	
2004 Research Park Drive	2.00	340,000		340,000	
2005 Research Park Drive	4.20		\$305,000		\$305,000
2005 Park and Recreation	3.78		480,000		480,000
Total Governmental Activities		<u>\$402,500</u>	<u>\$785,000</u>	<u>\$402,500</u>	<u>\$785,000</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 18 - NOTES PAYABLE – (Continued)**

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Electric					
2004 Electric System Improvements	2.35%	\$2,506,000		\$2,506,000	
2004 Electric System Improvements	2.35	3,550,000		3,550,000	
2005 Electric System Improvements	3.30		\$2,136,000		\$2,136,000
2005 Electric System Improvements	3.30		3,335,000		3,335,000
Total Electric Fund		6,056,000	5,471,000	6,056,000	5,471,000
Sewer					
2002 Real Estate Acquisition	0.00	62,500		62,500	
Total Business-Type Activities		\$6,118,500	\$5,471,000	\$6,118,500	\$5,471,000

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 in the capital projects funds, in the amount of \$305,000, were issued on June 9, 2005, to partially retire notes previously issued to pay the costs of constructing the southerly portion of Research Park Drive. This note has been refinanced.

The bond anticipation notes in the capital projects funds, in the amount of \$480,000, were issued on November 10, 2005, to purchase real property for park and recreation purposes.

The bond anticipation notes in the Electric enterprise fund, in the amount of \$2,136,000 and \$3,335,000, were issued on December 2, 2005, to partially retire notes previously issued to pay the costs of improving the City's electric system by constructing a new substation.

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 19 - LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$11,745,000) Premium	3.00	\$11,605,000		\$660,000	\$10,945,000	\$665,000
		112,632		6,406	106,226	
Total General Obligation Bonds		11,717,632		666,406	11,051,226	665,000
Ohio Water Development Authority Loans						
1985 Water System (Original Issue - \$1,583,371)	8.97	544,594		357,894	186,700	186,700
1988 Dunbridge Road Water (Original Issue - \$883,788)	8.31	501,986		129,840	372,146	67,510
1994 Second Water Transmission Main (Original Issue - \$3,644,348)	5.77	3,211,343		140,406	3,070,937	74,254
1999 Granular Activated Carbon System (Original Issue - \$2,880,752)	5.50	2,598,798		201,129	2,397,669	104,731
1999 Central Business District- Heritage 2000 (Original Issue - \$1,200,000)	3.00	1,200,000		1,200,000		
2001 Wintergarden Heights/Sand Ridge Sewer	3.20	237,989		117,106	120,883	59,962
2002 Clearwell and High Service Pump	3.95	3,637,317	\$3,964	210,762	3,430,519	
2004 Wastewater Treatment Plant and Solids Handling Improvements	1.76	3,504,502	2,153,745	174,430	5,483,817	
Total Ohio Water Development Authority Loans		15,436,529	2,157,709	2,531,567	15,062,671	493,157
Other Long-Term Obligations						
Compensated Absences Payable		1,193,006	170,924	28,703	1,335,227	604,812
Total Governmental Activities		\$28,347,167	\$2,328,633	\$3,226,676	\$27,449,124	\$1,762,969

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 19 - LONG-TERM OBLIGATIONS – (Continued)**

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2004 Various Purpose Improvement	3.00%	\$5,995,000		\$270,000	\$5,725,000	\$270,000
(Original Issue - \$6,215,000)						
Premium		58,184		2,620	55,564	
Total General Obligation Bonds		6,053,184		272,620	5,780,564	270,000
Other Long-Term Obligations						
Compensated Absences Payable		\$896,952	\$73,448	\$174,121	\$796,279	\$251,932
Capital Leases Payable		285,947		73,667	212,280	48,362
AMP Ohio Payable - JV 2		6,880,353		356,103	6,524,250	354,416
AMP Ohio Payable - JV 6		5,505,676		964,626	4,541,050	415,000
Total Other Long-Term Obligations		13,568,928	73,448	1,568,517	12,073,859	1,069,710
Total Business-Type Activities		\$19,622,112	\$73,448	\$1,841,137	\$17,854,423	\$1,339,710

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.

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 19 - LONG-TERM OBLIGATIONS – (Continued)**

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

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

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

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

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 Playground and Recreation, Street Maintenance and Repair, Parking Meter, ODOT Transportation, CDBG, Police Levy, and Fire Levy 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.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 19 - LONG-TERM OBLIGATIONS – (Continued)**

The City's legal debt margin was \$35,486,236 at December 31, 2005.

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.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2005, were as follows:

Year	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2006	\$665,000	\$429,938	\$493,157	\$191,407
2007	655,000	409,988	578,136	322,352
2008	665,000	390,338	550,353	288,238
2009	670,000	370,388	414,124	252,911
2010	680,000	350,288	437,547	229,489
2011 to 2015	2,735,000	1,423,836	2,417,498	747,018
2016 to 2020	2,385,000	904,262	1,257,520	208,133
2021 to 2025	1,770,000	394,463		
2026 to 2028	720,000	72,424		
Total	<u>\$10,945,000</u>	<u>\$4,745,925</u>	<u>\$6,148,335</u>	<u>\$2,239,548</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005, from the enterprise funds were as follows:

Year	General Obligation Bonds		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2006	\$270,000	\$226,788	\$769,416	\$537,989
2007	280,000	218,688	757,031	551,159
2008	280,000	210,288	747,300	560,777
2009	290,000	201,888	764,482	543,294
2010	295,000	193,188	786,578	521,347
2011 to 2015	1,625,000	801,027	4,579,611	1,961,166
2016 to 2020	1,605,000	466,473	2,660,882	589,409
2021 to 2023	1,080,000	103,647		
Total	<u>\$5,725,000</u>	<u>\$2,421,987</u>	<u>\$11,065,300</u>	<u>\$5,265,141</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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, 2005</u>
Industrial Revenue Bonds			
Lamson and Session Company	6/28/1995	\$2,780,000	\$800,000
Multi-Family Housing Revenue Bonds			
Bowling Green Village Series 2001 A	6/1/2001	3,320,000	3,180,000
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. Principal payments in 2005 were \$73,667.

	<u>Business-Type Activities</u>
Vehicles	\$487,438
Less Accumulated Depreciation	(312,966)
Carrying Value, December 31, 2005	<u>\$174,472</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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, 2005.

Year	Business-Type Activities	
	Principal	Interest
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	\$212,280	\$26,245

**NOTE 21 - INTERFUND TRANSFERS**

During 2005, the General Fund made transfers to other governmental funds, in the amount of \$520,976, to subsidize activities in other funds. The Playground and Recreation special revenue fund made transfers to other governmental funds, in the amount of \$30,683, as debt payments came due. Other governmental funds made transfers to other governmental funds, in the amount of \$50,000 for transit operations, in the amount of \$7,988 to create a new fund, and in the amount of \$730,698 as debt payments came due.

**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, 2005. 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, 2005  
(Continued)**

**NOTE 22 - INSURANCE POOLS – (Continued)**

**B. North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan**

For 2005, 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 for 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, 2005, the City had met its debt coverage obligation.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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, 2005, was \$6,524,250 (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 \$6,355,167 at December 31, 2005. 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](http://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, 2005, 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, 2005  
(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 fund. The City's net investment in JV5 was \$1,460,056 at December 31, 2005. 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](http://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, 2005, the City had met their debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, JV6 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting participant's ownership share of the project in kilowatts ("Step Up Power"), provided that the sum of any such increases shall not exceed, without consent of the non-defaulting participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 23 - JOINT VENTURES – (Continued)**

JV6 was created to provide for low-polluting capacity electricity through wind energy. The project consists of four wind turbines with a nominal capacity of 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, 2005, was \$4,541,050. 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 \$5,018,126 at December 31, 2005. Complete financial statements for JV6 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**NOTE 24 – JOINTLY GOVERNED ORGANIZATION**

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

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

**NOTE 25 - CONTINGENT LIABILITIES**

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

For the period January 1, 2005, to December 31, 2005, 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.

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**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Comparative Statement of Fund Net Assets  
Enterprise Funds  
December 31, 2005, and 2004**

	Electric		Water	
	2005	2004	2005	2004
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,496,906	\$3,712,671	\$4,528,525	\$4,722,722
Accounts Receivable	4,481,473	3,041,740	338,104	374,676
Accrued Interest Receivable	199	5,190	13,015	1,692
Interfund Receivable	51,884	17,497	22,816	14,359
Prepaid Items	36,990	41,054	27,066	32,460
Materials and Supplies Inventory	766,330	662,716	130,323	172,276
<u>Restricted Assets</u>				
Cash and Cash Equivalents with Escrow Agents			29,155	
<b>Total Current Assets</b>	<b>8,833,782</b>	<b>7,480,868</b>	<b>5,089,004</b>	<b>5,318,185</b>
<u>Non-Current Assets</u>				
Unamortized Bond Issuance Cost	9,910	10,730	15,104	15,719
Nondepreciable Capital Assets	451,543	451,543	309,697	367,662
Depreciable Capital Assets, Net	15,840,300	16,676,672	27,230,518	27,130,755
Investment in Joint Venture	12,833,349	13,710,714		
<b>Total Non-Current Assets</b>	<b>29,135,102</b>	<b>30,849,659</b>	<b>27,555,319</b>	<b>27,514,136</b>
<b>Total Assets</b>	<b>37,968,884</b>	<b>38,330,527</b>	<b>32,644,323</b>	<b>32,832,321</b>
<u>Current Liabilities</u>				
Accrued Wages Payable	79,217	107,693	44,219	46,142
Accounts Payable	6,248,220	3,154,690	163,359	278,912
Due to Other Governments	95,360	222,381	48,001	41,190
Interfund Payable	136,908	132,680	7,210	4,470
Accrued Interest Payable	16,627	13,243	2,725	2,836
Notes Payable	5,471,000	6,056,000		
Retainage Payable			29,155	
General Obligation Bonds Payable	60,000	60,000	45,000	45,000
Compensated Absences Payable	118,726	175,805	62,106	79,041
Capital Leases Payable				
AMP Ohio Payable	769,416	339,801		
<b>Total Current Liabilities</b>	<b>12,995,474</b>	<b>10,262,293</b>	<b>401,775</b>	<b>497,591</b>
<u>Non-Current Liabilities</u>				
General Obligation Bonds Payable	672,037	732,619	1,070,724	1,116,161
Compensated Absences Payable	220,041	238,070	160,446	154,349
Capital Leases Payable				
AMP Ohio Payable	10,295,884	12,046,228		
<b>Total Non-Current Liabilities</b>	<b>11,187,962</b>	<b>13,016,917</b>	<b>1,231,170</b>	<b>1,270,510</b>
<b>Total Liabilities</b>	<b>24,183,436</b>	<b>23,279,210</b>	<b>1,632,945</b>	<b>1,768,101</b>
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	10,098,716	10,290,326	26,439,595	26,352,975
Unrestricted	3,686,732	4,760,991	4,571,783	4,711,245
<b>Total Net Assets</b>	<b>\$13,785,448</b>	<b>\$15,051,317</b>	<b>\$31,011,378</b>	<b>\$31,064,220</b>

Sewer		Totals	
2005	2004	2005	2004
\$3,210,472	\$3,157,988	\$11,235,903	\$11,593,381
479,060	367,853	5,298,637	3,784,269
2,958	10,909	16,172	17,791
46,624	18,447	121,324	50,303
27,066	33,313	91,122	106,827
57,105	19,936	953,758	854,928
		29,155	
<u>3,823,285</u>	<u>3,608,446</u>	<u>17,746,071</u>	<u>16,407,499</u>
53,240	55,495	78,254	81,944
1,957,202	6,863,062	2,718,442	7,682,267
38,456,361	30,153,283	81,527,179	73,960,710
		12,833,349	13,710,714
<u>40,466,803</u>	<u>37,071,840</u>	<u>97,157,224</u>	<u>95,435,635</u>
<u>44,290,088</u>	<u>40,680,286</u>	<u>114,903,295</u>	<u>111,843,134</u>
51,828	47,675	175,264	201,510
148,548	113,037	6,560,127	3,546,639
56,443	45,935	199,804	309,506
38,006	16,885	182,124	154,035
9,604	10,011	28,956	26,090
	62,500	5,471,000	6,118,500
		29,155	
165,000	165,000	270,000	270,000
71,100	80,320	251,932	335,166
48,362	73,667	48,362	73,667
		769,416	339,801
<u>588,891</u>	<u>615,030</u>	<u>13,986,140</u>	<u>11,374,914</u>
3,767,803	3,934,404	5,510,564	5,783,184
163,860	169,367	544,347	561,786
163,918	212,280	163,918	212,280
		10,295,884	12,046,228
<u>4,095,581</u>	<u>4,316,051</u>	<u>16,514,713</u>	<u>18,603,478</u>
<u>4,684,472</u>	<u>4,931,081</u>	<u>30,500,853</u>	<u>29,978,392</u>
36,321,720	32,623,988	72,860,031	69,267,289
3,283,896	3,125,217	11,542,411	12,597,453
<u>\$39,605,616</u>	<u>\$35,749,205</u>	<u>\$84,402,442</u>	<u>\$81,864,742</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Comparative Statement of Revenues, Expenses, and Change in Fund Net Assets  
Enterprise Funds  
For the Years Ended December 31, 2005, and 2004**

	Electric		Water	
	2005	2004	2005	2004
<u>Operating Revenues</u>				
Charges for Services	\$31,491,541	\$26,147,905	\$3,614,950	\$3,186,522
Other	739,496	1,160,240	40,683	34,976
Total Operating Revenues	<u>32,231,037</u>	<u>27,308,145</u>	<u>3,655,633</u>	<u>3,221,498</u>
<u>Operating Expenses</u>				
Purchased Power	28,236,759	21,921,610		
Plant Operation			1,343,222	829,058
Plant Maintenance			323,239	301,536
Distribution Operation	1,450,278	1,326,727	429,026	374,214
Distribution Maintenance	1,420,668	1,261,787	426,699	402,804
Customer Account Collection	299,287	261,813	105,032	96,501
Administrative and General	1,328,720	1,332,347	774,649	725,216
Depreciation	1,118,458	1,245,557	884,081	1,132,947
Total Operating Expenses	<u>33,854,170</u>	<u>27,349,841</u>	<u>4,285,948</u>	<u>3,862,276</u>
Operating Income (Loss)	<u>(1,623,133)</u>	<u>(41,696)</u>	<u>(630,315)</u>	<u>(640,778)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Loss on Disposal of Capital Assets		(2,304)		(108,137)
Grants	5,497	35,000		
Excise Taxes	1,510,011	1,601,863		
Excise Taxes Expense	(1,510,011)	(1,624,690)		
Interest Revenue	81,370	41,451	126,725	66,382
Interest Expense	(172,967)	(105,633)	(45,867)	(30,699)
Investment in Joint Venture	443,364	249,948		
Total Non-Operating Revenues (Expenses)	<u>357,264</u>	<u>195,635</u>	<u>80,858</u>	<u>(72,454)</u>
Income Before Contributions	<u>(1,265,869)</u>	<u>153,939</u>	<u>(549,457)</u>	<u>(713,232)</u>
Capital Contributions			<u>496,615</u>	<u>1,408,394</u>
Change in Net Assets	<u>(1,265,869)</u>	<u>153,939</u>	<u>(52,842)</u>	<u>695,162</u>
Net Assets Beginning of Year	<u>15,051,317</u>	<u>14,897,378</u>	<u>31,064,220</u>	<u>30,369,058</u>
Net Assets End of Year	<u>\$13,785,448</u>	<u>\$15,051,317</u>	<u>\$31,011,378</u>	<u>\$31,064,220</u>

Sewer		Totals	
2005	2004	2005	2004
\$3,622,931	\$3,430,373	\$38,729,422	\$32,764,800
327,518	276,861	1,107,697	1,472,077
3,950,449	3,707,234	39,837,119	34,236,877
		28,236,759	21,921,610
265,262	813,181	1,608,484	1,642,239
444,100	434,938	767,339	736,474
128,415	163,553	2,007,719	1,864,494
453,651	422,756	2,301,018	2,087,347
109,075	107,680	513,394	465,994
1,272,355	1,160,872	3,375,724	3,218,435
1,038,703	940,130	3,041,242	3,318,634
3,711,561	4,043,110	41,851,679	35,255,227
238,888	(335,876)	(2,014,560)	(1,018,350)
	(19,430)		(129,871)
		5,497	35,000
		1,510,011	1,601,863
		(1,510,011)	(1,624,690)
86,131	47,306	294,226	155,139
(175,591)	(120,514)	(394,425)	(256,846)
		443,364	249,948
(89,460)	(92,638)	348,662	30,543
149,428	(428,514)	(1,665,898)	(987,807)
3,706,983	6,159,537	4,203,598	7,567,931
3,856,411	5,731,023	2,537,700	6,580,124
35,749,205	30,018,182	81,864,742	75,284,618
\$39,605,616	\$35,749,205	\$84,402,442	\$81,864,742

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Comparative Statement of Cash Flows  
Enterprise Funds  
For the Years Ended December 31, 2005, and 2004**

	Electric		Water	
	2005	2004	2005	2004
<u>Increases (Decreases) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$30,027,287	\$25,326,120	\$3,643,065	\$3,121,151
Cash Payments for Purchased Power	(25,415,734)	(21,589,189)		
Cash Payments for Plant Operation			(1,462,234)	(677,780)
Cash Payments for Plant Maintenance			(323,592)	(288,354)
Cash Payments for Distribution Operation	(1,335,890)	(1,112,567)	(381,545)	(394,910)
Cash Payments for Distribution Maintenance	(1,429,223)	(1,307,711)	(412,876)	(399,640)
Cash Payments for Customer Account Collection	(293,209)	(279,112)	(111,899)	(91,675)
Cash Payments for Administrative and General	(1,494,053)	(1,066,062)	(751,982)	(745,068)
Cash Received from Other Revenues	729,630	951,830	40,683	34,976
Net Cash Provided by Operating Activities	<u>788,808</u>	<u>923,309</u>	<u>239,620</u>	<u>558,700</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Grants	5,497	35,000		
Cash Received from Excise Taxes	1,510,011	1,624,690		
Cash Payments for Excise Tax Distribution	(1,510,011)	(1,624,690)		
Net Cash Provided by Noncapital Financing Activities	<u>5,497</u>	<u>35,000</u>		
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Bond Anticipation Notes	(6,056,000)	(7,361,000)		(1,270,000)
Principal Paid on General Obligation Bonds	(60,000)	(50,000)	(45,000)	
Principal Paid on Capital Leases				
Interest Paid on Bond Anticipation Notes	(141,920)	(103,448)		(35,471)
Interest Paid on General Obligation Bonds	(27,425)		(45,800)	
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 Bond Anticipation Notes	5,471,000	6,056,000		
Acquisition of Capital Assets	(282,086)	(676,774)	(429,264)	(620,923)
Net Cash Used for Capital and Related Financing Activities	<u>(1,096,431)</u>	<u>(1,303,531)</u>	<u>(520,064)</u>	<u>(780,952)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	86,361	36,792	115,402	65,394
Net Increase (Decrease) in Cash and Cash Equivalents	(215,765)	(308,430)	(165,042)	(156,858)
Cash and Cash Equivalents Beginning of Year	<u>3,712,671</u>	<u>4,021,101</u>	<u>4,722,722</u>	<u>4,879,580</u>
Cash and Cash Equivalents End of Year	<u><u>\$3,496,906</u></u>	<u><u>\$3,712,671</u></u>	<u><u>\$4,557,680</u></u>	<u><u>\$4,722,722</u></u>

Sewer		Totals	
2005	2004	2005	2004
\$3,483,547	\$3,357,931	\$37,153,899	\$31,805,202
(206,506)	(839,333)	(25,415,734)	(21,589,189)
(463,408)	(435,408)	(1,668,740)	(1,517,113)
(121,129)	(171,255)	(787,000)	(723,762)
(470,470)	(171,255)	(1,838,564)	(1,678,732)
(125,220)	(407,810)	(2,312,569)	(2,115,161)
(1,260,481)	(91,667)	(530,328)	(462,454)
327,518	(1,157,405)	(3,506,516)	(2,968,535)
1,163,851	276,861	1,097,831	1,263,667
		5,497	35,000
		1,510,011	1,624,690
		(1,510,011)	(1,624,690)
		5,497	35,000
(62,500)	(4,192,500)	(6,118,500)	(12,823,500)
(165,000)	(170,000)	(270,000)	(220,000)
(73,667)	(78,182)	(73,667)	(78,182)
	(124,132)	(141,920)	(263,051)
(161,663)		(234,888)	
(13,681)	(9,167)	(13,681)	(9,167)
	41,054		60,319
	(57,819)		(84,951)
	4,230,000		6,215,000
		5,471,000	6,056,000
(728,938)	(14,313)	(1,440,288)	(1,312,010)
(1,205,449)	(375,059)	(2,821,944)	(2,459,542)
94,082	36,397	295,845	138,583
52,484	193,252	(328,323)	(272,036)
3,157,988	2,964,736	11,593,381	11,865,417
\$3,210,472	\$3,157,988	\$11,265,058	\$11,593,381

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Comparative Statement of Cash Flows  
Enterprise Funds  
For the Years Ended December 31, 2005, and 2004  
(continued)**

	Electric		Water	
	2005	2004	2005	2004
Reconciliation of Operating Income (Loss) to Net Cash <u>Provided by Operating Activities:</u>				
Operating Income (Loss)	(\$1,623,133)	(\$41,696)	(\$630,315)	(\$640,778)
Adjustments to Reconcile Operating Income (Loss) to Net Cash <u>Provided by Operating Activities:</u>				
Depreciation	1,118,458	1,245,557	884,081	1,132,947
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(1,439,733)	(1,026,684)	36,572	(64,049)
Increase in Interfund Receivable	(34,387)	(3,511)	(8,457)	(1,322)
(Increase) Decrease in Prepaid Items	4,064	(14,380)	5,394	(7,455)
(Increase) Decrease in Materials and Supplies Inventory	(103,614)	159,155	41,953	(23,092)
Increase (Decrease) in Accrued Wages Payable	(28,476)	41,438	(1,923)	11,687
Increase (Decrease) in Accounts Payable	3,093,530	422,226	(115,553)	166,690
Increase (Decrease) in Due to Other Governments	(127,021)	148,630	6,811	2,773
Increase in Interfund Payable	4,228	128,967	2,740	721
Increase in Retainage Payable			29,155	
Decrease in Compensated Absences Payable	(75,108)	(136,393)	(10,838)	(19,422)
Net Cash Provided by Operating Activities	\$788,808	\$923,309	\$239,620	\$558,700

Sewer		Totals	
2005	2004	2005	2004
\$238,888	(\$335,876)	(\$2,014,560)	(\$1,018,350)
1,038,703	940,130	3,041,242	3,318,634
(111,207)	(66,807)	(1,514,368)	(1,157,540)
(28,177)	(5,635)	(71,021)	(10,468)
6,247	(7,441)	15,705	(29,276)
(37,169)	3,788	(98,830)	139,851
4,153	10,018	(26,246)	63,143
35,511	35,825	3,013,488	624,741
10,508	1,358	(109,702)	152,761
21,121	1,773	28,089	131,461
		29,155	
(14,727)	(45,219)	(100,673)	(201,034)
<u>\$1,163,851</u>	<u>\$531,914</u>	<u>\$2,192,279</u>	<u>\$2,013,923</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Direct Assistance			
Surveys, Studies, Investigations and Special Purpose Grants	XP-96573801-0	66.606	<u><b>\$485,000</b></u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct Assistance			
Community Development Block Grants/Entitlement Grants	B-03-MC-39-0025	14.218	113,699
	B-04-MC-39-0025	14.218	<u>131,367</u>
			245,066
<b><i>Passed Through Ohio Department of Development</i></b>			
HOME Investment Partnership Program	A-C-03-096-2	14.239	<u>154,795</u>
Total U.S. Department of Housing and Urban Development			<u><b>399,861</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b><i>Passed Through Ohio Department of Justice</i></b>			
Bullet Proof Vest Partnership Program	2005BUBX05022737	16.607	<u><b>1,950</b></u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b><i>Passed Through Ohio Department of Transportation</i></b>			
Formula Grants for Other than Urbanized Areas	RPT-4087-023-051	20.509	179,285
	RPT-4087-021-041	20.509	12,507
	RPT-0087-024-042	20.509	<u>27,040</u>
Total U.S. Department of Transportation			<u><b>218,832</b></u>
<b>Total Federal Awards Expenditures</b>			<u><u><b>\$1,105,643</b></u></u>

*The accompanying notes are an integral part of this schedule.*

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2005**

**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, 2005, the gross amounts of loans outstanding under this program were \$426,819. A court judgment has been filed on a delinquent amount due of \$5,079.64. Another business filed for bankruptcy in October 2005; the balance due on this loan was \$13,282.44.

A 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, 2005, the gross amounts of loans outstanding under this program were \$19,173.

**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, 2005, the gross amounts of loans outstanding under this program were \$183,152.

**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.

**NOTE E - FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS**

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

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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 43402-2399

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 1, 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 to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**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 November 1, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

**Betty Montgomery**  
Auditor of State

November 1, 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, 2005. 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.

In our opinion, 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, 2005.

#### 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.

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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.

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

**Betty Montgomery**  
Auditor of State

November 1, 2006

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Surveys, Studies, Investigations and Special Purpose Grants, CFDA # 66.606
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Parks and Recreation Board adopt a uniform policy for fee waivers and discounts	Yes	
2004-002	<i>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</i>	Yes	



**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**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  
DECEMBER 21, 2006**