

BOWLING GREEN CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

Board of Education
Bowling Green City School District
140 South Grove Street
Bowling Green, Ohio 43402

We have reviewed the *Independent Auditors' Report* of the Bowling Green City School District, Wood County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Bowling Green City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 13, 2009

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BOWLING GREEN CITY SCHOOL DISTRICT

TABLE OF CONTENTS

Elected Officials and Administrative Personnel	(i)
Index of Funds	(ii)
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 9
Statement of Net Assets	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Statement of Net Assets – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Statement of Net Assets – Fiduciary Funds	17
Notes to Financial Statements	18 – 38
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (Budgetary Basis) – General Fund	39
Schedule of Expenditures of Federal Awards (Cash Basis)	40
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	41 – 42

BOWLING GREEN CITY SCHOOL DISTRICT

TABLE OF CONTENTS, CONTINUED

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43 – 44
Schedule of Findings and Questioned Costs	45
Summary Schedule of Prior Audit Findings	46

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2008

ELECTED OFFICIALS

<u>Board of Education</u>	<u>Title</u>	<u>Term of Office</u>
Ellen Scholl	President	1/1/06 – 12/31/09
Eric Myers, Ph.D.	Vice President	1/1/06 – 12/31/09
Thomas Milbrodt, Ph.D	Member	1/1/08 – 12/31/11
Stephen Cernkovich, Ph.D.	Member	1/1/08 – 12/31/11
Lee Hakel	Member	1/1/08 – 12/31/11

ADMINISTRATIVE PERSONNEL

<u>Administrative</u>	<u>Title</u>	<u>Term of Contract</u>
Hugh T. Caumartin, Jr. ¹	Superintendent	8/1/06 – 7/31/09
Rhonda Melchi ²	Treasurer	1/1/06 – 12/31/09

LEGAL COUNSEL

External:

Shumaker, Loop and Kendrick, LLP
North Courthouse Square
1000 Jackson Street
Toledo, Ohio 43624-1573

Bricker & Eckler, LLP
Attorneys at Law
100 South Third Street
Columbus, Ohio 43215

¹ Surety: Buckeye Union Insurance Company
Bond: \$5,000

² Surety: Buckeye Union Insurance Company
Bond: \$25,000

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUNDS

General Fund

Special Revenue Funds

Tributes Fund
Public School Support Fund
Other Local Grants Fund
Severance Benefits Fund (H.B. 426)
District Managed Activity Funds
Auxiliary Services Fund
Management Information Systems Fund
Ohio School Net Professional Development Grant Fund
OhioReads Grant Fund
Miscellaneous State Grants Fund
Poverty Based Assistance Fund
IDEA - Special Education, Part B Fund
Title III – Immigrant Fund
Title I – Targeted Assistance Grant Fund
Title V – Innovative Programs Fund
Title II-A Grant Fund
Title IV-A Safe and Drug Free Schools Grant Fund
Early Childhood Special Education – IDEA Fund
Other Federal Grants Fund

Debt Service Funds

Bond Retirement Fund

Capital Projects Funds

Permanent Improvement Fund
Construction Fund
Ohio School Net Fund

Permanent Fund

Memorials Fund

PROPRIETARY FUNDS

Enterprise Funds

Food Service Fund
Uniform School Supplies Fund

FIDUCIARY FUNDS

Agency Funds:

Student Activity Funds
District Agency Fund



INDEPENDENT AUDITORS' REPORT

Board of Education
Bowling Green City School District
140 Grove Street
Bowling Green, OH 43402

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 Bowling Green City School District ("the District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 Bowling Green City School District as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, on our consideration of Bowling Green City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is

an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bowling Green City School District's basic financial statements. The accompanying schedule of expenditures of federal awards on page 40 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Bowling Green City School District. Such additional information, which is the responsibility of the District's management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Weber O'Brien Ltd".

December 17, 2008

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The Management's Discussion and Analysis is required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The purpose of this supplementary information is to provide a narrative overview of the accompanying financial statements although readers should also review the basic financial statements and notes to gain a complete understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

These basic financial statements include two kinds of statements that present different views of the District:

Government-wide Statements - These financial statements provide both long-term and short-term information about the District's overall financial status.

Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide financial statements.

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

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional nonfinancial factors such as property tax base, current property tax laws, and student enrollment growth and facility conditions.

The Government-wide financial statements of the District fall into two categories:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, non-instructional and extracurricular activities.
- **Business-type Activities** – The District operates a food service program and provides for the sale of student supplies. These activities are intended to be self-supporting although transfers from the General Fund are made almost annually to supplement student supply sales.

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the District's activities are reported in Governmental Funds, which focus on (a) how money flows into and out of those funds and (b) the balances left at year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Government-wide statements) and governmental funds is reconciled in the financial statements. For the fiscal year ended June 30, 2008, two funds were considered "major" for reporting purposes due to their level of activity and are reported separately from all other Governmental funds in the fund financial statements. These two funds are the General Fund and the Construction Fund.

Proprietary Funds – The District uses enterprise funds to report activities for which fees are charged. These enterprise funds are the same as business-type activities, but provide more detail and additional information such as cash flows.

Fiduciary Funds – The District is the agent, or fiduciary, for various student-managed activity programs and other similar programs listed as agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets – The following table shows a comparative analysis of net assets for the fiscal years ended June 30, 2008 and 2007:

	Governmental Activities			Business-type Activities		
	2008	2007	Increase/ (Decrease)	2008	2007	Increase/ (Decrease)
Current and other assets	\$ 58,544,220	\$ 62,338,933	\$ (3,794,713)	\$ 266,991	\$ 258,959	\$ 8,032
Capital assets, net	13,277,010	8,706,359	4,570,651	65,576	82,439	(16,863)
Total assets	71,821,230	71,045,292	775,938	332,567	341,398	(8,831)
Long-term obligations outstanding	32,950,642	33,631,840	(681,198)	43,348	41,805	1,543
Other liabilities	19,360,547	18,071,013	1,289,534	84,559	84,986	(427)
Total liabilities	52,311,189	51,702,853	608,336	127,907	126,791	1,116
Net assets						
Invested in capital assets,						
net of related debt	9,124,269	7,197,853	1,926,416	65,576	82,439	(16,863)
Restricted	28,069,419	32,003,928	(3,934,509)	-	-	-
Unrestricted	(17,683,647)	(19,859,342)	2,175,695	139,084	132,168	6,916
Total net assets	\$ 19,510,041	\$ 19,342,439	\$ 167,602	\$ 204,660	\$ 214,607	\$ (9,947)

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

In November, 2006, the District's voters approved a 2.93 mill bond levy for the construction of a new middle school and auditorium. In March, 2007, the District issued bonded debt in the amount of \$27,500,000 for this project. Contracts for design services, construction management services, and construction services have been entered into and actual construction of the facility began in the spring of 2008. This project affects many of the changes in the Net Assets of the Governmental Activities. Capitalization of construction-in-progress accounts for a majority of the increase in Capital Assets while payment on the various contracts results in decreasing current assets (cash and investments) as well as the reduction in restricted assets. Accrued payments to contractors for work performed prior to June 30 results in increased current liabilities while principal payments on the bond issue accounts for the decrease in long-term liabilities of the District. The District also purchased a building to house its transportation, maintenance and inventory warehouse in 2008 which accounts for another portion of the increase in Capital Assets.

Changes in Net Assets - The following table shows the changes in net assets for the fiscal year ending June 30, 2008 as compared with 2007:

	Governmental Activities			Business-type Activities		
	2008	2007	Increase/ (Decrease)	2008	2007	Increase/ (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 296,725	\$ 292,546	\$ 4,179	\$ 737,609	\$ 727,738	\$ 9,871
Operating grants	1,736,245	1,952,395	(216,150)	474,379	422,308	52,071
General revenues						
Property and income taxes	20,520,123	23,287,447	(2,767,324)	-	-	-
Unrestricted grants	10,467,839	9,522,013	945,826	-	-	-
Other	2,798,392	2,703,142	95,250	5,815	9,929	(4,114)
Total revenues	35,819,324	37,757,543	(1,938,219)	1,217,803	1,159,975	57,828
Expenses						
Instruction	19,490,449	18,696,234	794,215	-	-	-
Support services	11,922,517	11,190,012	732,505	-	-	-
Noninstructional	351,051	385,283	(34,232)	-	-	-
Extracurricular Activities	1,005,867	932,652	73,215	-	-	-
Capital Outlay	1,533,322	350,588	1,182,734	-	-	-
Interest and Fiscal Charges	1,314,887	937,245	377,642	-	-	-
Other	31,629	22,418	9,211	-	-	-
Food Service	-	-	-	1,201,491	1,144,981	56,510
Uniform School Supplies	-	-	-	28,259	50,144	(21,885)
Total expenses	35,649,722	32,514,432	3,135,290	1,229,750	1,195,125	34,625
Transfers/Capital Contribution	(2,000)	(6,000)	4,000	2,000	6,000	(4,000)
Change in Net Assets	167,602	5,237,111	(5,069,509)	(9,947)	(29,150)	19,203
Beginning net assets	19,342,439	14,105,328	5,237,111	214,607	243,757	(29,150)
Ending net assets	\$ 19,510,041	\$ 19,342,439	\$ 167,602	\$ 204,660	\$ 214,607	\$ (9,947)

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home with an assessed value of \$100,000 and taxed at 1.0 mill would pay \$35 in taxes at the time the levy is voted in. If during the County's reappraisal the home's assessed value was increased to \$200,000 (and this increase is comparable to increases for other property owners in the neighborhood) the effective tax rate would become 0.5 mills and the owner would continue to pay \$35 in property tax. However, the effective total millage cannot be reduced below 20 mills according to state statute. This maintenance of the amount of property taxes generated coupled with the state funding method cause school districts to regularly return to voters in order for revenues to keep pace with expenses. In addition to property taxes, residents of the school district pay .5% (one-half percent) of their income in school district income tax. Since the District must rely heavily on voter approval of

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2008

operating tax issues, management of District resources is of utmost concern to both the administration and the voting public. The District uses a five-year financial forecast to determine whether current tax levies can sustain operations. The current forecast reflects a need for additional operating resources in fiscal year 2011 based upon the assumptions used in formulating the forecast.

Property and income taxes made up 57.3% of revenues for governmental activities of the Bowling Green City School District in fiscal year 2008 and 61.7% in fiscal year 2007. Property tax revenues decreased in fiscal year 2008 as the phase-out of tangible personal property tax (discussed later under *Economic Factors*) enters the third year of the four year phase-out. Property taxes collected before June 30, 2008 and considered available for revenue recognition were also down from a year ago.

The following table demonstrates the District's reliance upon tax revenues:

Revenue Source	2008		2007	
	Amount	% of Total	Amount	% of Total
General tax revenues	\$ 20,520,123	57.3%	\$ 23,287,447	61.7%
Unrestricted grants	10,467,839	29.2%	9,522,013	25.2%
Program revenues	2,032,970	5.7%	2,244,941	5.9%
Other revenues	2,798,392	7.8%	2,703,142	7.2%
Total Revenue	\$ 35,819,324	100.0%	\$ 37,757,543	100.0%

The District saw increases in all its unrestricted grants in fiscal year 2008 due to rising personal property tax "hold harmless" payments from the State to offset the phase-out of tangible personal property tax. These payments will begin to be phased-out in 2010 according to current law.

Business-type Activities

Business-type activities include food service and uniform school supplies resale. Student lunch purchases increased slightly during fiscal year 2008 and there was again an increase in the federal free and reduced lunch grant program. This year it was \$52,071. Increased participation in the lunch program by students contributes to both of these changes. With increases in the cost of food, supplies and personnel a net decrease of \$9,947 was realized in the proprietary funds. The net assets balance remains healthy, but management will continue to keep a watch on future operations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's Governmental Funds reported a combined fund balance of \$38,787,827. This is an overall decrease of \$5,145,951 from the June 30, 2007 total of \$43,933,778. The schedule below indicates the fund balance and total change in fund balance by fund type as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General Fund	\$ 9,318,206	\$ 9,803,897	\$ (485,691)
Other Governmental	29,469,621	34,129,881	(4,660,260)
Total	\$ 38,787,827	\$ 43,933,778	\$ (5,145,951)

The District's General Fund balance tapered off slightly as operating costs increased and no new revenue sources were added. This is typical in a school district as management seeks new taxes from voters every few years to cover increasing costs. The decrease in Other Governmental funds can be attributed to the

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

middle school/auditorium project currently under construction. As contractors are paid for their services, the fund balance originally built up by a \$27,500,000 bond issue will dwindle.

Budgetary Highlights

A supplementary schedule is included after the Notes to the Financial Statements to present budgetary information for the General Fund of the District. The Board approved amendments to the General Fund appropriations for transfers to supplement the Business-type Activities funds and for increased fuel costs and special education costs. Budgeted revenues were affected by higher tax collections than originally estimated.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS ADMINISTRATION

Capital Assets

At June 30, 2008, the District had net capital assets in the amount of \$13,342,586 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Actual construction of the middle school/auditorium project began in the spring of 2008 resulting in additional construction in progress for fiscal year 2008. Also in fiscal year 2008 the District purchased a new building to house transportation, maintenance and inventory warehousing as well as making improvements to existing properties. Accordingly net capital assets increased \$4,553,788. The District owns no infrastructure. The following table presents comparative balances for fiscal years 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	Total	Total
	2008	2007	2008	2007	2008	2007	Increase (Decrease)
Land	\$ 422,124	\$ 289,510	\$ -	\$ -	\$ 422,124	\$ 289,510	\$ 132,614
Construction in Progress	3,309,635	170,393	-	-	3,309,635	170,393	3,139,242
Buildings & Improvements	17,004,996	15,322,414	-	-	17,004,996	15,322,414	1,682,582
Furniture & Equipment	4,152,000	3,922,561	326,460	340,657	4,478,460	4,263,218	215,242
Vehicles	1,829,102	1,827,539	-	-	1,829,102	1,827,539	1,563
Accumulated depreciation	(13,440,847)	(12,826,058)	(260,884)	(258,218)	(13,701,731)	(13,084,276)	(617,455)
Net Capital Assets	\$ 13,277,010	\$ 8,706,359	\$ 65,576	\$ 82,439	\$ 13,342,586	\$ 8,788,798	\$ 4,553,788

Long-term Obligations

At June 30, 2008, the District's governmental activities had long-term liabilities totaling \$32,950,642. As mentioned several times previously in this discussion, the District issued general obligation bonds in 2007 the amount of \$27,500,000 for the construction of a middle school facility and auditorium. Principal payments on this bond issue were first made in 2008. Combined with the previously existing general obligation bonds, total outstanding general obligation bonds amount to \$28,330,000 with \$725,000 due within one year, and unamortized bond premium of \$1,405,978. Other long-term obligations include an outstanding capital lease balance for bus purchases in the amount of \$62,882 and probable payments for compensated absences in the amount of \$3,151,782.

Under current state statutes, the District's debt issues are subject to a legal limitation of 9% of the total assessed value of real and personal property. At June 30, 2008, the District's outstanding debt was within the legal limit.

ECONOMIC FACTORS

School district income tax collections increased approximately 2.6% for fiscal year 2008, up slightly from a 2% increase in the previous fiscal year. Although the economy began to decline early in calendar year 2008, the State of Ohio, which administers the school district income tax, aggressively sought payment of delinquent taxes. Taxpayers also filed their returns in greater numbers in the spring to enable them to receive the economic stimulus check from the federal government. Interest rates continued to fall during the fiscal year. The economic problems plaguing the United States will likely continue throughout the next fiscal year so no increase in interest rates is expected.

State foundation funding has remained flat for a number of years. This funding is based upon assessed local property values. Because property values in the District have increased, the foundation formula assumes that property taxes also increase thereby reducing the District's need for state funding. However, as discussed in the Financial Analysis section of this narrative, property taxes do not actually grow with increased property values. Prior to 2006, the District had been on the "fiscal year 1998 guarantee" for state foundation funding. This meant the District had been guaranteed to receive the same amount of funding as it did seven years prior even though, based upon property values, state funding should be significantly less than received in fiscal year 1998. With the passage of the budget bills for fiscal years 2006 through 2009, the District went on the Transitional Aid Guarantee, which essentially equates to the "fiscal year 1998 guarantee" for this District because the Transitional Aid Guarantee ensures that the District will receive what it did in fiscal year 2005 – the same that it did in fiscal year 1998. While management is most appreciative that actual state funding is no lower than it was ten years ago in 1998, operating costs have obviously risen far beyond 1998 levels despite the steps that have been taken to control personnel and other operating costs. Thus, the District is forced to seek additional taxes from its citizens to compensate for the lack of growth in state funding. The last operating tax levy was sought in May, 2005, when voters approved a 2.3 replacement levy with a 1.9 mill increase that began collection in January, 2006 and expires December, 2010.

Significant changes were implemented in the tax structure by the Ohio General Assembly beginning in fiscal year 2006. Effective January 1, 2006, HB 66 phases out tangible personal property tax over a four year period. These taxes did comprise approximately 10% of the District's revenues. HB 66 provides for "hold harmless" payments to replace these revenues through 2010 at which time these payments are scheduled to be phased out. The "hold harmless" payments will be in declining amounts, however, to reflect the phase-out of the inventory portion of tangible personal property that was already in law prior to the passage of HB 66. The phase out of the tangible personal property tax will also have an effect on the assessed local property values used to calculate the state foundation funding. At this time, it is unknown what, if any, effect this will have on this District's foundation funding due to the District's current guarantee status (discussed in the previous paragraph).

Several court decisions have been issued as a result of the school funding cases filed against the State. The Supreme Court relinquished jurisdiction over the case in late 2002 and directed the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient. It is unknown what effect, if any, this decision will have on future funding the District receives from the State.

The Board of Education and the Administration of the Bowling Green City School District have committed themselves to providing a sound educational program for the citizens of the District while maintaining fiscal integrity. Accordingly, facilities, programs and operational practices have been and

BOWLING GREEN CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

will continue to be under constant review to determine what, if any, changes can be implemented for improvement.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Inquiries about this report may be directed to Rhonda Melchi, Treasurer, Bowling Green City School District, 140 South Grove Street, Bowling Green, Ohio 43402.

Bowling Green City School District, Wood County
Statement of Net Assets
As of June 30, 2008

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 11,385,970	\$ 212,482	\$ 11,598,452
Investments	27,693,005	-	27,693,005
Receivables			
Taxes - current	18,466,230	-	18,466,230
Accounts	80,690	-	80,690
Accrued interest	381,359	-	381,359
Intergovernmental	74,038	-	74,038
Materials & supplies inventory	67,866	54,509	122,375
Prepaid items	116,586	-	116,586
Deferred bond issuance costs	278,476	-	278,476
Capital assets, net	<u>13,277,010</u>	<u>65,576</u>	<u>13,342,586</u>
Total assets	<u><u>71,821,230</u></u>	<u><u>332,567</u></u>	<u><u>72,153,797</u></u>
Liabilities			
Accounts payable	1,437,932	620	1,438,552
Accrued wages and benefits	2,346,915	33,893	2,380,808
Intergovernmental payables	685,442	50,046	735,488
Deferred revenue	14,778,138	-	14,778,138
Accrued interest payable	112,120	-	112,120
Long-term liabilities			
Due within one year	1,305,754	-	1,305,754
Due in more than one year	<u>31,644,888</u>	<u>43,348</u>	<u>31,688,236</u>
Total liabilities	<u><u>52,311,189</u></u>	<u><u>127,907</u></u>	<u><u>52,439,096</u></u>
Net assets			
Invested in capital assets, net of related debt	9,124,269	65,576	9,189,845
Restricted for:			
Debt service	2,280,359	-	2,280,359
Capital projects	25,344,000	-	25,344,000
Other purposes	445,060	-	445,060
Unrestricted/undesignated	<u>(17,683,647)</u>	<u>139,084</u>	<u>(17,544,563)</u>
Total net assets	<u><u>\$ 19,510,041</u></u>	<u><u>\$ 204,660</u></u>	<u><u>\$ 19,714,701</u></u>

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Activities
For the Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
Instruction	\$ 19,490,449	\$ -	\$ 724,097	\$ (18,766,352)	\$ -	\$ (18,766,352)
Support services	11,922,517	-	679,756	(11,242,761)	-	(11,242,761)
Non-instructional	351,051	-	332,392	(18,659)	-	(18,659)
Extracurricular activities	1,005,867	296,725	-	(709,142)	-	(709,142)
Capital outlay	1,533,322	-	-	(1,533,322)	-	(1,533,322)
Interest and fiscal charges	1,314,887	-	-	(1,314,887)	-	(1,314,887)
Miscellaneous	31,629	-	-	(31,629)	-	(31,629)
Total governmental activities	35,649,722	296,725	1,736,245	(33,616,752)	-	(33,616,752)
Business-type activities						
Food service	1,201,491	695,372	474,379	-	(31,740)	(31,740)
Uniform school supplies	28,259	42,237	-	-	13,978	13,978
Total business-type activities	1,229,750	737,609	474,379	-	(17,762)	(17,762)
Totals	\$ 36,879,472	\$ 1,034,334	\$ 2,210,624	(33,616,752)	(17,762)	(33,634,514)
General Revenues						
Property and income taxes levied for:						
General purposes				18,373,271	-	18,373,271
Debt service				1,695,413	-	1,695,413
Capital outlay				451,439	-	451,439
Grants & entitlements not restricted to specific programs				10,467,839	-	10,467,839
Payment in lieu of taxes				218,180	-	218,180
Investment earnings				1,956,919	5,082	1,962,001
Miscellaneous				623,293	733	624,026
Total general revenues				33,786,354	5,815	33,792,169
Transfers - capital contribution				(2,000)	2,000	-
Change in net assets				167,602	(9,947)	157,655
Net assets beginning of year				19,342,439	214,607	19,557,046
Net assets end of year				\$ 19,510,041	\$ 204,660	\$ 19,714,701

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
 Balance Sheet
 Governmental Funds
 As of June 30, 2008

	General	Construction	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 3,170,199	\$ 2,828,746	\$ 5,387,025	\$ 11,385,970
Investments	5,306,647	21,378,277	1,008,081	27,693,005
Receivables:				
Taxes	16,368,233	-	2,097,997	18,466,230
Accounts	79,975	-	715	80,690
Intergovernmental	-	-	74,038	74,038
Accrued interest	88,227	-	293,132	381,359
Materials and supplies inventory	67,866	-	-	67,866
Prepaid items	93,745	21,165	1,676	116,586
Total assets	<u>\$ 25,174,892</u>	<u>\$ 24,228,188</u>	<u>\$ 8,862,664</u>	<u>\$ 58,265,744</u>
Liabilities:				
Accounts payable	\$ 94,363	\$ 1,240,845	\$ 102,724	\$ 1,437,932
Accrued wages and benefits	2,265,455	-	81,460	2,346,915
Compensated absences payable	-	-	229,490	229,490
Intergovernmental payable	646,542	-	38,900	685,442
Deferred revenue	12,850,326	-	1,927,812	14,778,138
Total liabilities	<u>15,856,686</u>	<u>1,240,845</u>	<u>2,380,386</u>	<u>19,477,917</u>
Fund balances:				
Reserved for encumbrances	113,518	19,942,843	471,294	20,527,655
Reserved for inventory	67,866	-	-	67,866
Reserved for prepaid items	93,745	21,165	1,676	116,586
Reserved for contributions	-	-	54,472	54,472
Reserved for property tax unavailable for appropriation	2,394,987	-	342,044	2,737,031
Unreserved, undesignated reported in:				
General fund	6,648,090	-	-	6,648,090
Debt service funds	-	-	2,012,378	2,012,378
Capital projects funds	-	3,023,335	1,925,083	4,948,418
Special revenue funds	-	-	1,667,395	1,667,395
Permanent funds	-	-	7,936	7,936
Total fund balances	<u>9,318,206</u>	<u>22,987,343</u>	<u>6,482,278</u>	<u>38,787,827</u>
Total liabilities and fund balances	<u>\$ 25,174,892</u>	<u>\$ 24,228,188</u>	<u>\$ 8,862,664</u>	<u>\$ 58,265,744</u>

The notes to the financial statements are an integral part of this statement.

*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
As of 6/30/2008*

Total Governmental Fund Balances	\$ 38,787,827
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*Amounts reported for governmental activities in the
statement of net assets are different because*

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds	13,277,010
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(32,554,796)</u>
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Net Assets of Governmental Funds	<u><u>\$ 19,510,041</u></u>
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Bowling Green City School District, Wood County
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2008

	General	Construction	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 18,373,271	\$ -	\$ 2,146,852	\$ 20,520,123
Tuition and fees	529,999	-	-	529,999
Intergovernmental	10,145,515	-	2,058,569	12,204,084
Interest	738,388	-	1,218,531	1,956,919
Extracurricular activities	-	-	254,920	254,920
Gifts and donations	-	24,600	4,472	29,072
Charges for services	8,555	-	-	8,555
Miscellaneous	32,899	-	259,985	292,884
Total Revenues	<u>29,828,627</u>	<u>24,600</u>	<u>5,943,329</u>	<u>35,796,556</u>
Expenditures:				
Current:				
Instruction	18,440,395	-	1,112,136	19,552,531
Support services	10,857,167	14,554	1,381,861	12,253,582
Non-instructional services	10,999	-	333,667	344,666
Extracurricular activities	679,954	-	328,697	1,008,651
Capital outlay	1,440	4,344,368	1,458,808	5,804,616
Debt service				
Principal	-	-	625,000	625,000
Interest	-	-	1,359,833	1,359,833
Total expenditures	<u>29,989,955</u>	<u>4,358,922</u>	<u>6,600,002</u>	<u>40,948,879</u>
Excess (deficiency) of revenues over expenditures	(161,328)	(4,334,322)	(656,673)	(5,152,323)
Other financing sources (uses)				
Operating transfers in	-	-	345,000	345,000
Operating transfers (out)	(347,000)	-	-	(347,000)
Proceeds from bond issue	113	-	-	113
Other financing sources	22,655	-	-	22,655
Other financing (uses)	(131)	-	(14,265)	(14,396)
Total other financing sources (uses)	<u>(324,363)</u>	<u>-</u>	<u>330,735</u>	<u>6,372</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(485,691)	(4,334,322)	(325,938)	(5,145,951)
Fund balance July 1	<u>9,803,897</u>	<u>27,321,665</u>	<u>6,808,216</u>	<u>43,933,778</u>
Fund balance June 30	<u>\$ 9,318,206</u>	<u>\$ 22,987,343</u>	<u>\$ 6,482,278</u>	<u>\$ 38,787,827</u>

The notes to the financial statements are an integral part of this statement.

*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008*

Net change in Fund Balances - Total Governmental Funds \$ (5,145,951)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 4,570,651

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities. 625,000

Some expenses reported in the statement of activities, such as compensated absences payable and amortization of bond premiums, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 117,902

Change in Net Assets of Governmental Activities \$ 167,602

Bowling Green City School District, Wood County
Statement of Net Assets
Proprietary Funds
As of June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>
Assets:	
Cash and cash equivalents	\$ 212,482
Materials and supplies inventory	54,509
Total current assets	<u>266,991</u>
Capital assets, net	<u>65,576</u>
Total assets	<u><u>332,567</u></u>
Liabilities:	
Accounts payable	620
Accrued wages and benefits	33,893
Intergovernmental payable	50,046
Compensated absences payable	43,348
Total liabilities	<u><u>127,907</u></u>
Net assets	
Invested in capital assets	65,576
Unrestricted	139,084
Total net assets	<u><u>\$ 204,660</u></u>

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Business-Type Activities- Enterprise Funds</u>
Operating revenues:	
Sales	\$ 737,609
Other operating revenues	693
Total operating revenues	<u>738,302</u>
Operating expenses:	
Salaries and wages	393,174
Fringe benefits	162,552
Purchased services	16,116
Materials and supplies	513,141
Cost of sales	126,392
Depreciation	12,988
Other operating expenses	1,512
Total operating expenses	<u>1,225,875</u>
Operating income (loss)	(487,573)
Nonoperating revenues (expenses):	
Interest revenue	5,082
Other nonoperating revenue	40
Federal and state subsidies	347,987
Federal donated commodities	126,392
Loss on sale of capital assets	(3,875)
Total nonoperating revenues (expenses)	<u>475,626</u>
Change in net assets before transfers	(11,947)
Operating transfers-in	<u>2,000</u>
Change in net assets	(9,947)
Net assets at July 1	<u>214,607</u>
Net assets at June 30	<u><u>\$ 204,660</u></u>

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-Type Activities- Enterprise Funds
Cash flows from operating activities:	
Cash received from sales	\$ 737,609
Cash received from other revenues	693
Cash payments for employee services	(391,232)
Cash payments for employee benefits	(163,653)
Cash payments for contract services	(16,116)
Cash payments for supplies and materials	(541,892)
Cash payments for other expenses	(1,337)
Net cash provided by (used for) operating activities	(375,928)
Cash flows from noncapital financing activities:	
Federal and state subsidies	390,286
Operating transfers in	2,000
Other non-operating income	40
Net cash provided by noncapital financing activities	392,326
Cash flows from investing activities:	
Interest on investments	5,082
Net cash provided by investing activities	5,082
Net increase (decrease) in cash and cash equivalents	21,480
Cash and cash equivalents at beginning of year	191,002
Cash and cash equivalents at end of year	\$ 212,482
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating (loss)	\$ (487,573)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	12,988
Other adjustments to non-operating income	126,392
Changes in assets and liabilities:	
Materials and Supplies inventory	(29,234)
Prepayments	175
Accounts payable	483
Accrued wages and benefits	(8)
Compensated absences payable	1,543
Intergovernmental payable	(694)
Net cash (used for) operating activities	\$ (375,928)

The notes to the financial statements are an integral part of this statement.

Bowling Green City School District, Wood County
Statement of Net Assets
Fiduciary Funds
As of June 30, 2008

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 106,825
Total assets	<u>106,825</u>
Liabilities:	
Accounts payable	-
Due to students	106,451
Other current liabilities	374
Total liabilities	<u>106,825</u>
Net assets	<u>\$ -</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 1- DESCRIPTION OF THE SCHOOL DISTRICT

Bowling Green City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02, Ohio Revised Code. The District operates under an elected five member Board of Education and is responsible for provision of public education to residents of the District. The District is located in Wood County in northwest Ohio. Its boundaries include all of the City of Bowling Green and portions of surrounding townships.

Average daily membership (ADM) as of October, 2007 was 3,007.81. The District's average employment was 243 licensed/certificated employees and 125 non-certificated employees. In addition, the District employed substitute employees to cover the duties of absent bus drivers while contracting with an employment service for all other substitute employees and certain paraprofessionals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District 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 School District also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989 to its proprietary activities provided they do not conflict or contradict GASB pronouncements. The District has elected not to apply FASB Standards and Interpretations issued after November 30, 1989. Governmental Accounting Standards Board (GASB) pronouncements are applied after this date. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organization:

Penta County Joint Vocational School District

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. One member of the Bowling Green City Board of Education serves as a member of the Penta County Joint Vocational School District.

The District also participates in two insurance group purchasing pools, described in Note 11.

Non-public Schools

Non-public schools located within the District boundaries include: St. Aloysius and St. Louis Elementary Schools, the Montessori School of Bowling Green, Bowling Green Christian Academy and Plan, Do and Talk Primary. These non-public schools are operated independently of the District. The District receives and disburses auxiliary services money from the State for support of these non-public schools as directed by these non-public schools. The receipt and expenditure of these auxiliary services monies are accounted for by the District and are reflected in a Special

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. The Reporting Entity (Continued)

Revenue Fund for financial reporting purposes, but the non-public schools' operations are not reflected in the accompanying financial statements.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major Governmental Funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Construction Fund - The Construction Fund is used to account for the revenues and expenditures related to the building and construction of new school facilities.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary Funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the Proprietary Funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The following are the District's Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's only Fiduciary Funds are Agency Funds that are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District's Agency Funds account for student activities and other similar activities.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District 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 District that are governmental and those that are considered business-type activities.

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

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of Governmental Fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Enterprise funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary Funds are reported by fund type.

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's enterprise funds are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is followed by the Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined while "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after the June 30 year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, student fees, and property and income taxes.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenues on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2008, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2008 operations, have been recorded as deferred revenue.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (continued)

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, Proprietary Funds and the Fiduciary Funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary Funds receive no revenue from property taxes.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds while GASB requires only major Governmental Funds to be reported in the supplementary schedules presenting budgetary information. The specific timetable for fiscal year 2008 is as follows:

1. Pursuant to Section 5705.281, ORC, the Wood County Budget Commission has waived the requirement for school districts to adopt a tax budget. In place of the tax budget, the District must submit an estimate of revenues for the fiscal year commencing the following July 1 for all funds by no later than January 20 of the preceding fiscal year.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must prepare a budget in which total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. This budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the Amended Official Certificate of Estimated Resources and the final Amended Certificate issued for fiscal year 2008.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. While the District uses an expenditure account coding system consisting of a minimum of fund number, a four digit function, and a three digit object, the Board adopted appropriation is at the fund and first digit of function level of expenditures for the General Fund and at the fund level for all other district funds. These are considered the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation or alter first digit function appropriations within the General Fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (Continued)

departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2008.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, first digit function level for the General fund and the fund level for all other funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Funds, encumbrances outstanding at year-end appear as a reserve to the fund balance on the balance sheet and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash and Investments

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired by the District) which are stated at cost. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings are credited to the General Fund except those specified according to Board Resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest revenue credited to the General fund during fiscal year 2008 amounted to \$738,388 while interest in the amount of \$1,223,613 was credited to other District funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2008. 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 June 30, 2008.

For purposes of presentation in the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time of purchase by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

Inventories for all Governmental Funds are valued at cost (first-in/first out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary Funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

H. Prepaids

Prepayments for Governmental Funds represent cash disbursements that have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period-end, because prepayment is not available to finance future Governmental Fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

I. Capital Assets and Depreciation

Property, Plant and Equipment – Governmental Activities

Capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the Governmental Funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than five years.

Donated capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by an appraisal company who specializes in this area.

Depreciation

All capital assets, except for land, are depreciated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Buildings and Improvements	20-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	5-10

J. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences is attributable to services already rendered and is not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off *or* other means, such as cash payment at termination or retirement.

A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

For Governmental Funds, that portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable" on the balance sheet. In the Government-wide statement of net assets, the "Compensated Absences Payable" is recorded in the "Due within one year" liability account with the long-term portion of accumulated absences recorded in the "Due in more than one year" liability account.

L. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of Governmental Funds. In the Government-wide statement of net assets, the current portion of general obligation bonds is recorded in the "Due within one year" liability account with the long-term portion of these general obligation bonds recorded in the "Due in more than one year" liability account.

M. Reservations of Fund Balance

Reserved fund balances indicate that portion of fund balance which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, contributions, prepaids, and property taxes unavailable for appropriation. The unreserved portions of fund balances reflected for the Governmental Funds are available for use within the specific purposes of those funds.

The reserve for property taxes represents taxes recognized as revenues under generally accepted accounting principles but not available for appropriation under state statute.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

During the course of normal operations, transactions occur between funds. The most significant include:

1. Routine transfers of resources from one fund to another through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as an expenditure/expense in the reimbursing fund and a reduction of expenditure/expense in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

Interfund operating transfers are eliminated on the Government-wide statements.

O. Estimates

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

P. Unamortized Issuance Costs/Bond Premium

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets. Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The Governmental Funds balance sheet includes a reconciliation between fund balance – total Governmental Funds and Net Assets of Governmental Funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Long-term liabilities not reported in the funds:

Accrued Bond Interest	\$ (112,120)
Capital Lease Payable	(62,882)
Bonds Payable	(28,330,000)
Less: deferred bond charges (to be amortized over life of debt)	278,476
Plus: issuance premium (to be amortized as interest expense)	(1,405,978)
Compensated absences	<u>(2,922,292)</u>
	<u>\$ (32,554,796)</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued)

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The Governmental Fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total Governmental Funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which capital outlay exceeds depreciation in the current period:

Capital Outlay	\$ 5,327,891
Depreciation Expense	<u>(757,240)</u>
	<u>\$ 4,570,651</u>

The details of expenses that do not require the use of current financial resources:

Compensated absences	\$ 47,050
Capital lease payment	25,906
Accrued interest	2,398
Amortization of bond issuance costs	(10,508)
Amortization of bond premium	<u>53,056</u>
	<u>\$ 117,902</u>

NOTE 4 – EQUITY IN POOLED CASH AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must by law be maintained either as cash in the District 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 Board of Education has identified as not required for use within the current five year period of designation or depositories. Inactive deposits must 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 4 – EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. Historically, the District has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Cash on Hand At year-end the District had \$633 in undeposited cash on hand which is included on the balance sheet of the District as part of "cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, "Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)".

Deposits: At June 30, 2008, the carrying amount of the District's deposits was \$35,860,356 and the bank balance was \$36,226,130. Of the entire bank balance, \$3,045,439 was covered by federal depository insurance while \$33,180,691 was exposed to custodial credit risk as described in GASB Statement No. 40 further discussed below.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Investments:

	Maturities	Fair Value
STAR Ohio	n/a	3,537,293
Total Investments		\$ 3,537,293

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and in accordance with the Ohio Revised Code, the District's investment policy limits investment maturities to five years or less. Commercial paper must mature within 180 days.

Credit Risk: The District's investment policy limits investments to securities specifically authorized by the Ohio Revised Code. As of June 30, 2008, the District's investments consisted of STAR Ohio. The District's investment in STAR Ohio (the State investment pool) was rated AAAM by Standard & Poor's. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District had no investments held by a counterparty at June 30, 2008. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer of the qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer, although Ohio law sets limits on investments in commercial paper. Of the investments held at June 30, 2008, 100% were in the State investment pool.

Reconciliation of Cash and Investments to the Statement of Net Assets: The following is a reconciliation between cash and investments as reported in the preceding paragraphs to that reported on in the statements of net assets:

Cash and Investments per footnote:	
Cash on hand	\$ 633
Carrying amount of deposits	35,860,356
Investments	3,537,293
Total	\$39,398,282
Cash and Investments per Statements of Net Assets:	
Government Wide	\$39,291,457
Fiduciary Funds	106,825
	\$39,398,282

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 5 – TAXES

A. Property Tax

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed at 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property taxes were assessed at 6.25% of true value for equipment and machinery and 6.25% of inventory property for tax year 2008. The General Assembly of the State of Ohio passed the State Biennial Budget Bill (HB 66) that phases-out Tangible Personal Property Tax over a four-year period beginning January 1, 2006 thus reducing the assessed rate each calendar year by 25%. Based upon 2004 personal property values, "hold harmless" payments are to be made by the State to replace this revenue source for school districts through fiscal year 2010 at which time these payments will also be phased out. The "hold harmless" payments through fiscal year 2010 will be in declining amounts to reflect a 2% per year phase-out of the inventory portion of this tax already in law prior to passage of HB 66. The District received "hold harmless" payments in fiscal year 2008 in the amount of \$1,586,321.

The total assessed value upon which the 2008 taxes were collected was \$620,356,112. Agricultural/Residential, public utility and mineral real estate represented 63.7% or \$395,231,050 of this total; Commercial & Industrial real estate represented 34.0% or \$210,849,940; public utility tangible .8% or \$5,186,000; and general tangible property 1.5% or \$9,089,122. Tax exempt property in the District totaled \$274,327,090. The voted general tax rate for operations at the fiscal year ended June 30, 2008, was \$48.10 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$2.85 per \$1,000.00 of assessed valuation; and the voted rate for permanent improvements was \$1.20 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Wood County Treasurer collects property tax on behalf of the District. The Wood County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, in accordance with GASB 33, as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

B. School District Income Tax

The District levies an income tax of 0.5% on the gross salaries, wages and other personal service compensation earned by residents of the School District. All the revenue received from income tax is recorded directly into the General Fund.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 6 - RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, accounts (charges for services and fees), accrued interest, and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

NOTE 7 - CAPITAL ASSETS

The following is a summary by category of changes in governmental activities capital assets at June 30, 2008:

<i>Historical Cost:</i>				
<u>Asset Category</u>	<u>Balance at</u> <u>7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/08</u>
<i>Nondepreciable:</i>				
Land	\$ 289,510	\$ 132,614	\$ -	\$ 422,124
Construction in Progress	170,393	3,139,242	-	3,309,635
Total Nondepreciable Assets	<u>459,903</u>	<u>3,271,856</u>	<u>-</u>	<u>3,731,759</u>
<i>Depreciable:</i>				
Buildings & Improvements	15,322,414	1,682,582	-	17,004,996
Furniture/Equipment	3,922,561	244,116	14,677	4,152,000
Vehicles	1,827,539	168,770	167,207	1,829,102
Total Depreciable Assets	<u>21,072,514</u>	<u>2,095,468</u>	<u>181,884</u>	<u>22,986,098</u>
Total General Fixed Assets	<u>\$ 21,532,417</u>	<u>\$ 5,367,324</u>	<u>\$ 181,884</u>	<u>\$26,717,857</u>
<i>Accumulated Depreciation:</i>				
<u>Asset Category</u>	<u>Balance at</u> <u>7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/08</u>
Buildings & Improvements	9,023,764	342,814	-	9,366,578
Furniture/Equipment	2,695,049	259,338	3,669	2,950,718
Vehicles	1,107,245	155,088	138,782	1,123,551
Total General Fixed Assets	<u>\$ 12,826,058</u>	<u>\$ 757,240</u>	<u>* \$ 142,451</u>	<u>\$ 13,440,847</u>
<i>Net Capital Assets:</i>	<u>\$ 8,706,359</u>	<u>\$ 4,610,084</u>	<u>\$ 39,433</u>	<u>\$ 13,277,010</u>

* Depreciation expenses were charged to governmental functions as follow:

Instruction	\$ 57,192
Support Services	371,612
Non-instructional Services	16,026
Extracurricular Activities	3,676
Capital Outlay	<u>308,734</u>
Total Depreciation Expense	<u>\$ 757,240</u>

A summary of the Proprietary Capital Assets at June 30, 2008, follows:

<i>Depreciable:</i>	<u>Balance at</u> <u>7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/08</u>
Furniture/Equipment	\$ 340,657	\$ -	\$ 14,197	\$ 326,460
Accumulated Depreciation:	<u>(258,218)</u>	<u>(12,988)</u>	<u>10,322</u>	<u>(260,884)</u>
Net Capital Assets:	<u>\$ 82,439</u>	<u>\$ (12,988)</u>	<u>\$ 3,875</u>	<u>\$ 65,576</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 8 - LONG-TERM OBLIGATIONS

All current bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment.

A. The following is a description of the Bowling Green City School District bonds outstanding as of June 30, 2008:

	Interest Rate	Issue Date	Maturity Date	Bonds Outstanding At 7/1/07	New Issues During 2008	Retired In 2008	Bonds Outstanding At 6/30/08	Due Within 1 Year
1995 Refunding Building Improvements	4.5-5.7%	6/8/1995	12/1/2011	\$1,455,000	\$-0-	\$290,000	\$1,165,000	\$285,000
2007 School Facilities Construction and Improvement	3.5-5.0%	3/22/2007	12/1/2034	\$27,500,000	\$-0-	\$335,000	\$27,165,000	\$440,000

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

Year Ending June 30	Principal on General Obligation	Interest on General Obligation	Total
2009	725,000	1,328,953	2,053,953
2010	845,000	1,293,420	2,138,420
2011	915,000	1,253,723	2,168,723
2012	340,000	1,223,812	1,563,812
2013	365,000	1,208,175	1,573,175
2014-2018	2,480,000	5,797,506	8,277,506
2019-2023	3,910,000	5,087,375	8,997,375
2024-2028	5,925,000	3,869,750	9,794,750
2029-2033	8,520,000	2,148,488	10,668,488
2034-2035	<u>4,305,000</u>	<u>218,875</u>	<u>4,523,875</u>
Total	<u>\$28,330,000</u>	<u>\$ 23,430,077</u>	<u>\$51,760,077</u>

C. The District entered into lease purchase agreements for three busses during the fiscal year ending June 30, 2004. All of the leases have been entered into for a period of five years with an interest rate of 4.96% and are considered capital leases. The following is a summary of the District's remaining annual capital lease requirements to maturity as of June 30, 2008:

Year Ending June 30	Principal on Capital Leases	Interest on Capital Leases	Total
2009	<u>\$62,882</u>	<u>\$3,119</u>	<u>\$66,001</u>

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

D. During the year ended June 30, 2008 the following changes occurred in Governmental Activities long-term liabilities:

<i>Governmental Activities:</i>					
	<u>Balance at</u> <u>7/1/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>6/30/08</u>	<u>Due Within</u> <u>1 Year</u>
Compensated Absences:					
Sick leave (severance)	\$2,914,236	\$709,522	\$ 707,302	\$ 2,916,456	\$229,490
Vacation	214,782	202,090	181,546	235,326	235,326
Capital Lease Payable	88,788	-	25,906	62,882	62,882
General Obligation Bonds	28,955,000	-	625,000	28,330,000	725,000
Unamortized Bond Premium	1,459,034	-	53,056	1,405,978	53,056
Total	<u>\$33,631,840</u>	<u>\$911,612</u>	<u>\$1,592,810</u>	<u>\$32,950,642</u>	<u>\$1,305,754</u>
 <i>Business-type Activities:</i>					
Compensated Absences:					
Sick leave (severance)	<u>\$ 41,805</u>	<u>\$ 8,401</u>	<u>\$ 6,858</u>	<u>\$ 43,348</u>	<u>\$ -</u>

The District has established a Severance Benefits Fund, as permitted by H.B. 426, to liquidate accumulated sick leave upon retirement of employees while sick leave and vacation benefits enjoyed by active employees are paid by the fund from which the employee is normally paid, in most cases the General Fund. The capital lease is paid with the General Fund while all bond principal and interest are paid through the Bond Retirement Fund.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following, as reported on the fund statements:

Transfers from general fund to nonmajor governmental funds	\$ 345,000
Transfers from general fund to proprietary funds	\$ 2,000

Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in accordance with budgetary authorizations.

NOTE 10 - FUND BALANCE DEFICITS

Fund balances at June 30, 2008, included the following individual fund deficit:

<u>Special Revenue</u>	<u>GAAP Basis</u>
IDEA – Special Education, Part B	\$(1)

This fund complied with Ohio statute, which does not permit a cash basis deficit at year-end. The GAAP-basis deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 11 - RISK MANAGEMENT

The District 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. The District maintains comprehensive commercial insurance coverage for real property, building contents, general liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Real property and contents have a liability limit of \$87,551,089 with 100% co-insurance.

The District's fleet insurance policy has a liability limit of \$1,000,000 each occurrence.

The District has liability insurance coverage limits of \$4,000,000 each occurrence and \$6,000,000 annual aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last year.

Wood County Schools Health Insurance Consortium

The Wood County Schools Health Insurance Consortium (the Consortium) is a public entity shared risk pool consisting of six local school districts, two city or exempted village school districts, one vocational school district, and an educational service center. The Consortium is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the Consortium.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information may be obtained from Sharon Gillespie, Medical Mutual of Ohio, 3737 Sylvania Avenue, Toledo, Ohio 43623.

OASBO Worker's Compensation Group Rating

The District participates in the Ohio Association of School Business Officials' Worker's Compensation Group Rating Plan, an insurance purchasing pool. This Group Rating Plan allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers. Each year the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10% of their annual covered salary and Bowling Green City School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The District's contributions to SERS for the years ended June 30, 2008, 2007, and 2006 were \$631,896, \$518,424, and \$575,328, respectively. As of June 30, 2008, fifty percent has been contributed for fiscal year 2008 and one hundred percent for fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 of \$394,104 is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death, and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to received the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14 %. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 % for members and 14 % for employers. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, the latest information available, 13% funded pensions while 1% of covered payroll contributions was allocated to the Health Care Stabilization Fund.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,487,909, \$2,379,052, and \$2,509,571, respectively. As of June 30, 2008, eighty-six percent

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

has been contributed for fiscal year 2008 and one hundred percent for fiscal years 2007 and 2006. The unpaid contributions of \$341,385 for fiscal year 2008 are recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, most benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal years ended June 30, 2008, 2007 and 2006, the board allocated employer contributions equal to 1.0% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits were paid. For the District, this amount equaled \$163,150, \$155,430 and \$148,875 during the 2008, 2007, and 2006 fiscal years, respectively. As of June 30, 2008, eighty-six percent has been contributed for fiscal year 2008 and one hundred percent for fiscal years 2007 and 2006. As of June 30, 2007 (the latest information available), eligible benefit recipients totaled 122,934. For the fiscal year ended June 30, 2007 net health care costs paid by STRS were \$265,558,000.

SERS administers two postemployment benefit plans. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69, Ohio Revised Code (ORC). Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007, the actuarially required allocation was .68%. Bowling Green City School District's contributions for the year ended June 30, 2007 were \$27,936 which equaled the required contributions for the year.

The Health Care Plan is the result of Sections 3309.375 and 3306.69, ORC, that permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. Bowling Green City School District contributions for the years ended June 30, 2008, 2007 and 2006 were \$201,999, \$194,704, and \$190,331, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare Part B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

NOTE 14 - OTHER EMPLOYEE BENEFITS - DEFERRED COMPENSATION PLANS

The District employees may participate in the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The plan Agreement states that the District and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

NOTE 15 - SET-ASIDES

The Ohio Legislature passed H.B. 412 in 1998 which requires school districts to "set aside" money from the General Fund for three purposes: textbooks and materials, capital acquisition, and budget stabilization. Subsequently, Am. Sub. Senate Bill 345, effective April 10, 2001, eliminated the requirement for the budget reserve set-aside. The District's requirements for fiscal year 2008 and the balances to be carried forward at year-end are presented below:

BOWLING GREEN CITY SCHOOL DISTRICT
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE 15 – SET ASIDES (continued)

	<u>Textbooks & Materials</u>	<u>Capital Acquisition</u>
Set-aside Balance as of July 1, 2007	(\$3,545,400)	\$ -0-
Current Year Set-aside Requirement	465,686	465,686
Current Year Offsets	-0-	547,514
Qualifying Disbursements	826,963	-0-
Total	<u>(3,906,677)</u>	<u>(81,828)</u>
Set-aside Balance Carried Forward to FY 2009	<u>(3,906,677)</u>	<u>-0-</u>

Beginning with fiscal year ended June 30, 2000, expenditures in excess of current year or accumulated set-aside requirements in the Textbooks and Materials Set-aside were permitted to be carried forward to offset future years' textbooks and materials set-aside requirements. Although the District had off-sets and qualifying disbursements during the year that reduced the set-aside amounts below zero for Capital Acquisition purposes, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the Capital Acquisition Set-aside.

NOTE 16 – OUTSTANDING CONTRACTUAL COMMITMENTS

At June 30, 2008, the District has outstanding contractual commitments in the amount of \$19,942,843 for design services, construction management services and construction contracts in connection with its construction and improvement of school facilities project. Funding for these commitments will come from the \$27,500,000 bond issued in 2007 (Note 8).

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2008.

B. Litigation

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

Bowling Green City School District, Wood County
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget to Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2008

	Original Budget	Revised Budget	Actual	Variance with Final Budget
Revenues:				
From local sources:				
Taxes	\$ 18,557,926	\$ 18,781,672	\$ 19,212,121	\$ 430,449
Intergovernmental	9,723,681	9,747,780	10,145,515	397,735
Interest	650,000	650,000	856,355	206,355
Tuition and fees	367,500	367,500	529,999	162,499
Charges for services	-	-	7,662	7,662
Miscellaneous	69,500	69,500	33,114	(36,386)
Total revenues	<u>29,368,607</u>	<u>29,616,452</u>	<u>30,784,766</u>	<u>1,168,314</u>
Expenditures:				
Current:				
Instruction	18,598,078	18,661,078	18,426,023	235,055
Support services	11,454,939	11,469,939	10,828,965	640,974
Non-instructional services	16,190	16,190	12,860	3,330
Extracurricular activities	704,755	704,755	678,926	25,829
Capital outlay	2,500	2,500	1,440	1,060
Total expenditures	<u>30,776,462</u>	<u>30,854,462</u>	<u>29,948,214</u>	<u>906,248</u>
Excess (deficiency) of revenues over (under) expenditures	(1,407,855)	(1,238,010)	836,552	2,074,562
Other financing sources (uses):				
Operating transfers (out)	(345,000)	(347,000)	(347,000)	-
Advances in	-	-	28,161	28,161
Proceeds of sale of fixed assets	-	-	113	113
Refund of prior years expenditures	-	-	22,655	22,655
Refund of prior year receipts	-	(150)	(131)	19
Total other financing sources (uses)	<u>(345,000)</u>	<u>(347,150)</u>	<u>(296,202)</u>	<u>50,948</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,752,855)	(1,585,160)	540,350	2,125,510
Fund balance, July 1	7,749,271	7,749,271	7,749,271	-
Prior year encumbrances appropriated	123,000	123,000	123,000	-
Fund balance, June 30	<u>\$ 6,119,416</u>	<u>\$ 6,287,111</u>	<u>\$ 8,412,621</u>	<u>\$ 2,125,510</u>

Note:

While reporting financial position and changes in financial position/fund balances 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 and disbursements. The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:

<u>Net Change in Fund Balances</u>	<u>General Fund</u>
Budget Basis	\$ 540,350
Net adjustment for revenue accruals	(956,139)
Net adjustment for expenditure accruals	(228,931)
Net adjustment for other financing sources (uses)	(28,161)
Adjustment for encumbrances	187,190
GAAP Basis	<u>\$ (485,691)</u>

BOWLING GREEN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Passed Through Grantor/Program Titles</u>	<u>Project Number</u>	<u>CFDA Number</u>	<u>Grant Receipts</u>	<u>Non-Cash Grant Receipts</u>	<u>Grant Expenditures</u>	<u>Non-Cash Grant Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed through Ohio Department of Education:						
<u>Special Education Cluster</u>						
Special Education - Part B - IDEA	436386B-SF07	84.027	\$ 72,342		\$ 44,182	
	436386B-SF08	84.027	898,800		863,477	
			<u>971,142</u>		<u>907,659</u>	
Special Education - Preschool - IDEA	43638PG-S1-08	84.173	25,472		25,472	
Total Special Education Cluster			<u>996,614</u>		<u>933,131</u>	
Title I - Targeted Assistance	43638C1-S1-07	84.010	65,237		69,111	
	43638C1-S1-08	84.010	362,872		355,400	
			<u>428,109</u>		<u>424,511</u>	
Title V - Innovative Programs	43638C2-S1-07	84.298	512		512	
	43638C2-S1-08	84.298	6,174		6,173	
			<u>6,686</u>		<u>6,685</u>	
Title IV - Safe and Drug Free Schools	43638DR-S1-08	84.186	12,289		12,289	
Title II-D - Education Technology	43638TJ-S1-08	84.318	450		-	
Title II-A - Improving Teacher Quality	43638TR-S1-07	84.367	1,308		3,193	
	43638TR-S1-08	84.367	59,240		53,858	
			<u>60,548</u>		<u>57,051</u>	
TOTAL DEPARTMENT OF EDUCATION			1,504,696		1,433,667	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed through Ohio Department of Education:						
<u>Child Nutrition Cluster</u>						
National School Lunch Program	4363804-PU-00	10.555	312,711		312,711	
School Breakfast Program	4363805-PU-00	10.553	61,740		61,740	
Food Donation Program		10.550	-	123,392	-	127,209
TOTAL DEPARTMENT OF AGRICULTURE - Child Nutrition Cluster			<u>374,451</u>	<u>123,392</u>	<u>374,451</u>	<u>127,209</u>
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS			<u>\$1,879,147</u>	<u>\$ 123,392</u>	<u>\$ 1,808,118</u>	<u>\$ 127,209</u>

NOTE - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U. S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U. S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Bowling Green City School District
140 S. Grove Street
Bowling Green, Ohio 43402

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bowling Green City School District ("the District"), as of and for the year ended June 30, 2008, which collectively comprise the Bowling Green City School District's basic financial statements and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Bowling Green City School District in a separate letter dated December 17, 2008.

This report is intended solely for the information and use of the District's Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 17, 2008



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Bowling Green City School District
140 S. Grove Street
Bowling Green, Ohio 43402

Compliance

We have audited the compliance of Bowling Green City School District ("the District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District 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 District's internal control over compliance with the requirements that could have a direct and

material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the District's Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 17, 2008

BOWLING GREEN CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	__X__no
Control deficiency(ies) identified not considered to be material weaknesses?	_____yes	__X__none reported
Noncompliance material to financial statements noted?	_____yes	__X__no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	__X__no
Control deficiency(ies) identified not considered to be material weaknesses?	_____yes	__X__none reported

Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	__X__no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Child Nutrition Cluster:	
10.550	Food Donation Program
10.553	National School Breakfast Program
10.555	National School Lunch Program
84.010	Title I – Targeted Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low risk auditee?	__X__yes	_____no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

BOWLING GREEN CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

NONE



Mary Taylor, CPA
Auditor of State

BOWLING GREEN CITY SCHOOL DISTRICT

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
JANUARY 27, 2009**