



**Auditor of State
Betty Montgomery**

**City of Bowling Green
Wood County**

Table of Contents

Title	Page
Independent Accountant’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Comparison - General Fund	24
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual Comparison - Playground and Recreation Fund	25
Statement of Fund Net Assets - Proprietary Funds.....	26
Statement of Revenues, Expenses, and Change in Fund Net Assets - Proprietary Funds	28
Statement of Cash Flows - Proprietary Funds.....	29
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	31
Notes to the Basic Financial Statements	33
Comparative Financial Statements:	
Comparative Balance Sheet - Enterprise Funds	68
Comparative Statement of Cash Flows - Enterprise Funds	70
Schedule of Federal Awards Expenditures.....	75
Notes to the Schedule of Federal Awards Expenditures	76
Independent Accountants’ Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	77
Independent Accountants’ Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	79
Schedule of Findings.....	81

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 the City of Bowling Green, Wood County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Playground and Recreation Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. As discussed in Note 3, the City changed its capital assets threshold policy during 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. 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.

We conducted our audit to form opinions on the financial statements that collectively comprise the Government's basic financial statements. The comparative enterprise fund financial statements listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the comparative enterprise fund financial statements and the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

February 10, 2005

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003

The discussion and analysis of the City of Bowling Green's financial performance provides an overview of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Key highlights for 2003 are as follows:

In total, the City's net assets increased \$1,116,580, an increase of under 1 percent, or practically no change in operations from the prior year overall. Governmental activities experienced a decrease in net assets of over \$3 million (about 8.5 percent) for 2003. This change was caused by an increase in the City's liabilities over the prior year as the City's assets at year end remained practically the same as the prior year. Conversely, business-type activities experienced an increase in net assets of over \$4 million, a little over 5.5 percent. Most of this increase is related to capital asset activity.

One other point to note is that a review of the enterprise funds reflects an operating loss for both the Water and Sewer funds. An important aspect to consider with both of these funds is that governmental funds finance a significant portion of water and sewer infrastructure improvements through a portion of the City's income tax. This one-half percent tax was the result of a vote by the electors in 1971. Proceeds from the tax are receipted into a capital projects fund and used for various projects within these funds as needed. The amount contributed to each fund varies as the projects vary.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 presents a summary of the City's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$ 30,570,828	\$ 30,421,755	\$ 23,916,722	\$ 22,580,580	\$ 54,487,550	\$ 53,002,335
Capital Assets, Net	33,418,809	34,154,293	81,383,509	78,734,341	114,802,318	112,888,634
<i>Total Assets</i>	<u>63,989,637</u>	<u>64,576,048</u>	<u>105,300,231</u>	<u>101,314,921</u>	<u>169,289,868</u>	<u>165,890,969</u>
Liabilities						
Current and Other Liabilities	16,279,664	15,146,092	15,395,344	15,589,643	31,675,008	30,735,735
Long-Term Liabilities	14,013,723	12,589,845	8,495,890	8,576,722	22,509,613	21,166,567
<i>Total Liabilities</i>	<u>30,293,387</u>	<u>27,735,937</u>	<u>23,891,234</u>	<u>24,166,365</u>	<u>54,184,621</u>	<u>51,902,302</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	26,037,706	26,152,118	69,462,232	66,123,351	95,499,938	92,275,469
Restricted	14,964,688	17,115,121	1,130,168	-	16,094,856	17,115,121
Unrestricted (Deficit)	(7,306,144)	(6,427,128)	10,816,597	11,025,205	3,510,453	4,598,077
<i>Total Net Assets</i>	<u>\$ 33,696,250</u>	<u>\$ 36,840,111</u>	<u>\$ 81,408,997</u>	<u>\$ 77,148,556</u>	<u>\$ 115,105,247</u>	<u>\$ 113,988,667</u>

As mentioned previously, the City's net assets for governmental activities decreased over \$3 million in 2003. A review of the table above reveals little changed within the asset categories presented. A deeper review of individual asset accounts reflects little change there as well.

Two items were the primary factors causing the increase in current liabilities of a little over 7 percent. Most of the City's bond anticipation note activity involved retiring prior year notes with the proceeds of new notes issued for the same purpose in 2003. Rolling bond anticipation notes with small annual reductions in principal is a fairly routine practice used to finance projects. However, the City did undertake a new project in 2003 for which new notes were issued. The Wooster Street widening project

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)

covers over a mile of roadway from I-75 into the City. While major construction on the project did not occur until 2004, this project is under the direction of the Ohio Department of Transportation and the City's share of the project was required to be deposited with the State prior to contracts being finalized. In addition to the increase in notes payable, the liabilities for both contracts and retainage increased as a result of construction activities. These activities were also street construction related, involving the North Main/Newton Intersection improvements and the Newton Road extension.

Long-term liabilities also reflect an increase in 2003 of just over 11 percent. Most all of this increase is due to increasing the loans with the Ohio Water Development Authority (OWDA) for a new 1 million gallon clearwell and high service pump. A small contribution to the increase in long-term liabilities is the general obligation bonds issued to acquire land for a parking lot.

Both restricted and unrestricted net assets fluctuated as a result of the activities described above. The increase in construction activities resulted in lower net assets available for construction and thus the reduction in restricted net assets. Unrestricted net assets also decreased as OWDA loans are being used to finance capital assets for business-type activities.

Business-type activities reflect a different story for 2003 as net assets increased over \$4 million. An increase in current assets was almost entirely due to an increase in cash and cash equivalents, the result of proceeds from bond anticipation notes that were still unspent as of year end for water system improvements. Capital assets also reflect a net increase of over \$2 million. A review of the City's capital assets activity for 2003 will reflect an increase of over \$7 million, most of which will be found in electric, water, and sewer lines. The net increase however, also demonstrates the \$3 plus million in annual depreciation for 2003. This net effect in capital assets is also reflected in the increase presented for invested in capital assets, net of related debt.

A review of the liabilities for business-type activities shows very little change from the prior year.

Table 2 reflects the changes in net assets for 2003. Since this is the first year the City has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 2,472,563	\$ 31,382,859	\$ 33,855,422
Operating Grants, Contributions, and Interest	2,053,072	-	2,053,072
Capital Grants, Contributions, and Interest	<u>792,959</u>	<u>1,071,070</u>	<u>1,864,029</u>
<i>Total Program Revenues</i>	<u>5,318,594</u>	<u>32,453,929</u>	<u>37,772,523</u>

(Continued)

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)

Table 2 (Continued)
Change in Net Assets

	Governmental	Business-Type	Total
	Activities	Activities	
	2003	2003	
General Revenues			
Property Taxes-General Purposes	1,365,233	-	1,365,233
Property Taxes-Playground and Recreation	504,072	-	504,072
Municipal Income Taxes	13,028,773	-	13,028,773
Other Local Taxes	1,838,772	-	1,838,772
Grants and Entitlements not Restricted to Specific Programs	2,175,328	-	2,175,328
Franchise Fees	186,828	-	186,828
Interest	369,323	106,164	475,487
Other	317,654	1,447,186	1,764,840
Investment in Joint Venture	-	17,740	17,740
<i>Total General Revenues</i>	<u>19,785,983</u>	<u>1,571,090</u>	<u>21,357,073</u>
<i>Total Revenues</i>	<u>25,104,577</u>	<u>34,025,019</u>	<u>59,129,596</u>
Transfers	(4,597,400)	4,597,400	-
<i>Total Revenues and Transfers</i>	<u>20,507,177</u>	<u>38,622,419</u>	<u>59,129,596</u>
Program Expenses			
Security of Persons and Property			
Police	4,411,828	-	4,411,828
Fire	4,311,967	-	4,311,967
Ambulance	261,552	-	261,552
Public Health	50,894	-	50,894
Leisure Time Activities	1,188,054	-	1,188,054
Community Environment	663,845	-	663,845
Basic Utility Services	513,719	-	513,719
Transportation	6,319,395	-	6,319,395
General Government			
Court	1,312,812	-	1,312,812
Other	3,705,274	-	3,705,274
Internal Service Fund-External Portion	33,740	-	33,740
Interest and Fiscal Charges	877,958	-	877,958
Electric	-	25,995,908	25,995,908
Water	-	3,801,245	3,801,245
Sewer	-	4,564,825	4,564,825
<i>Total Expenses</i>	<u>23,651,038</u>	<u>34,361,978</u>	<u>58,013,016</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$ (3,143,861)</u>	<u>\$ 4,260,441</u>	<u>\$ 1,116,580</u>

Program revenues represent approximately 21 percent of total revenues for governmental activities, and while this revenue provides considerable assistance in the provision of governmental services, the burden of governmental support is provided by general revenues such as property taxes and municipal income taxes. By far, the City's largest revenue source is municipal income taxes which provides 66 percent of general revenues and 52 percent of total revenues overall. Property taxes only represent 7 percent of

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)

total revenues and are only the City's sixth largest revenue source, eclipsed in the general revenue category by unrestricted grants and entitlements and other local taxes (kilowatt hour tax and hotel/motel tax) as well as charges for services and operating grants and contributions program revenues.

Not surprisingly, the largest governmental activities expenses are related to the police and fire departments, combining for 37 percent of overall expenses. Due to street maintenance and repair work in 2003, transportation expenses were also significant in 2003, alone making up 27 percent of total expenses. The general government-other expenses include the activities of the mayor and city council, the municipal administrator, finance department, prosecutor, personnel director, etc. (the general administrative departments responsible for running city operations). These costs represent 16 percent of total expenses. Collectively, over 80 percent of the City's governmental activities resources are used through these four programs.

On the other hand, program revenues represent 95 percent of total revenues for business-type activities. Of course, this is overwhelmingly made up of charges for services in the Electric, Water, and Sewer funds, with charges for services in the Electric fund exceeding the other two utilities by 80 percent. This sizable margin is also reflected in the Electric fund's expenses.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2002 have not been made since they are not available for this year.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
Security of Persons and Property		
Police	\$ 4,411,828	\$ 4,237,611
Fire	4,311,967	4,287,963
Ambulance	261,552	100,334
Public Health	50,894	22,544
Leisure Time Activities	1,188,054	885,993
Community Environment	663,845	(338,279)
Basic Utility Services	513,719	472,707
Transportation	6,319,395	4,469,660
General Government		
Court	1,312,812	(130,032)
Other	3,705,274	3,450,393
Internal Service Fund-External Portion	33,740	(4,408)
Interest and Fiscal Charges	877,958	877,958
<i>Total Expenses</i>	<u>\$ 23,651,038</u>	<u>\$ 18,332,444</u>

While overall general revenues provide for over 77 percent of the services provided through governmental activities, a review of the table above reflects how some services require this support more than others. For instance, 98 percent of police and fire activities and 93 of general government-other activities must be provided for through general revenues. However, several programs are able to utilize

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)

program revenues to offset the costs of providing the service. Billing for ambulance services offsets some of these costs. Likewise, admission and sports fees, rentals, and concessions charges are applied to the provision of leisure time activities. The transportation program receives charges for services in the form of permissive motor vehicle license fees and operating grants in the form of State levied motor vehicle and gas taxes. During 2003, the City also received substantial resources from the Ohio Department of Transportation for street construction projects.

For 2003, resources obtained through program revenues exceeded the costs of the services provided in both the community environment and general government-court programs. Community environment costs are largely funded through the Community Development Block Grant program. Approximately 85 percent of the expenses for the court are provided for through fines and court costs. In addition, under Ohio Law judges can establish restricted accounts to offset certain court activities.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Playground and Recreation special revenue fund, and the Sewer and Water Improvement and Main/Wooster Street Improvement capital projects funds. A review of these funds demonstrates relatively insignificant changes in activity from the prior year for all, with the exception of the Playground and Recreation fund. The 51 percent decrease in fund balance resulted from expenditures exceeding revenues within this fund for 2003 as well as the affect of transfers made to other funds, some to pay debt and some in repayment to the General Fund for purchasing a building.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, and Sewer funds. Although a review of the statement of revenues, expenses, and change in fund net assets reveals an operating loss in both the Water and Sewer funds, consideration must also be given to the one-half percent income tax which contributes to various water and sewer improvements. During 2003, these contributions were \$3,393,925 in the Water fund and \$1,203,475 in the Sewer fund.

The Electric fund has continued to maintain an operating income and electric rates have remained the same since 1991. However, with the City's increase in size and population, the growth of the Electric fund has been slowing more recently. As a result, the Board of Utilities adopted a 4 percent rate increase effective in October 2004. This action should allow the Electric fund to stay on the side of positive cash flows as upgrades, improvements, and new infrastructure are built. However, if revenues have not improved by mid-2005, an additional rate increase will be considered.

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

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

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)

BUDGETARY HIGHLIGHTS

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

The City's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal as departments keep within their budgets. Changes from the final budget to actual expenditures include reductions made throughout the year as staff became aware that these appropriations would not be necessary. The change in fund balance for the General Fund was less than 1 percent.

Although planned, the Playground and Recreation Fund had a significant decrease in budgetary fund balance, \$347,564, or 70 percent. Resources were spent on various park projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2003, was \$26,037,706 and \$69,462,232, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; buildings; equipment; vehicles; streets; and electric, water, and sewer lines. There were no significant additions to governmental activities capital assets during the year. The most significant change for business-type activities was the addition of a considerable amount of water and sewer lines. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

At December 31, 2003, the City had \$12,335,000 in bond anticipation notes, \$112,000 in general obligation bonds, and \$12,823,134 in OWDA loans payable from governmental activities. Business-type activities had \$12,886,000 in bond anticipation notes outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$7,232,459, as part of the City's agreement, as a participate in the Ohio Municipal Electric Generation Agency Joint Venture 2, to pay debt issued by AMP-Ohio to acquire capital assets for the joint venture.

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

CURRENT ISSUES

The City converted the majority of the bond anticipation notes outstanding at year end to general obligation bonds in 2004. The bonds, in the amount of \$17,960,000, were sold to Citigroup Global Markets, Inc. The bonds have interest rates ranging from 3 to 5 percent and mature in 2028.

The Wooster Street widening project that was originally projected to take eighteen months to complete has been completed in a record three hundred days. This project, directed by the Ohio Department of Transportation, included, in addition to roadway widening, the burial of overhead electric lines, curbing, and sidewalks over a mile stretch from I-75 to North Enterprise Street. Kokosing Construction served as the general contractor for this project.

**City of Bowling Green
Wood County**

Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Continued)

The City is currently involved in a partnership with the State of Ohio National Guard and the Wood County Board of MRDD in the construction of the BG Training and Community Center. It is estimated the facility, located on the recently extended Newton Road, will be open May 1, 2005.

REQUEST FOR INFORMATION

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

This page intentionally left blank.

**City of Bowling Green
Wood County**

Statement of Net Assets
December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 21,258,650	\$ 11,865,417	\$ 33,124,067
Cash and Cash Equivalents in Segregated Accounts	1,536	-	1,536
Cash and Cash Equivalents with Escrow Agents	182,474	-	182,474
Accounts Receivable	419,148	2,626,729	3,045,877
Accrued Interest Receivable	26,210	1,235	27,445
Due from Other Governments	1,845,575	-	1,845,575
Municipal Income Taxes Receivable	3,252,170	-	3,252,170
Other Local Taxes Receivable	27,603	-	27,603
Internal Balances	(43,815)	43,815	-
Prepaid Items	101,603	77,551	179,154
Materials and Supplies Inventory	-	994,779	994,779
Property Taxes Receivable	1,954,771	-	1,954,771
Notes Receivable	780,833	-	780,833
Special Assessments Receivable	764,070	-	764,070
Nondepreciable Capital Assets	3,173,440	2,570,849	5,744,289
Depreciable Capital Assets, Net	30,245,369	78,812,660	109,058,029
Investment in Joint Venture	-	8,307,196	8,307,196
<i>Total Assets</i>	<u>63,989,637</u>	<u>105,300,231</u>	<u>169,289,868</u>
Liabilities			
Accrued Wages Payable	389,313	138,367	527,680
Accounts Payable	361,724	2,171,898	2,533,622
Contracts Payable	346,444	-	346,444
Due to Other Governments	610,609	156,745	767,354
Matured Compensated Absences Payable	39,630	-	39,630
Retainage Payable	196,467	-	196,467
Accrued Interest Payable	63,567	42,334	105,901
Notes Payable	12,335,000	12,886,000	25,221,000
Deferred Revenue	1,936,910	-	1,936,910
Long-Term Liabilities			
Due Within One Year	1,450,763	618,981	2,069,744
Due in More Than One Year	12,562,960	7,876,909	20,439,869
<i>Total Liabilities</i>	<u>30,293,387</u>	<u>23,891,234</u>	<u>54,184,621</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	26,037,706	69,462,232	95,499,938
Restricted for			
Debt Service	764,070	-	764,070
Capital Projects	7,724,573	-	7,724,573
Other Purposes	6,476,045	-	6,476,045
Water Treatment Plant Improvement	-	1,130,168	1,130,168
Unrestricted (Deficit)	(7,306,144)	10,816,597	3,510,453
<i>Total Net Assets</i>	<u>\$ 33,696,250</u>	<u>\$ 81,408,997</u>	<u>\$ 115,105,247</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**City of Bowling Green
Wood County**

Statement of Activities
For the Year Ended December 31, 2003

	Expenses
Governmental Activities	
Security of Persons and Property	
Police	\$ 4,411,828
Fire	4,311,967
Ambulance	261,552
Public Health	50,894
Leisure Time Activities	1,188,054
Community Environment	663,845
Basic Utility Services	513,719
Transportation	6,319,395
General Government	
Court	1,312,812
Other	3,705,274
Internal Service Fund	
External Portion	33,740
Interest and Fiscal Charges	877,958
<i>Total Governmental Activities</i>	23,651,038
Business-Type Activities	
Electric	25,995,908
Water	3,801,245
Sewer	4,564,825
<i>Total Business-Type Activities</i>	34,361,978
<i>Total</i>	\$ 58,013,016

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Charges for Services	Program Revenues		Net (Expense) Revenue and Change in Net Assets		
	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	Business-Type Activities	Total
\$ 125,452	\$ 48,765	\$ -	\$ (4,237,611)	\$ -	\$ (4,237,611)
3,429	20,575	-	(4,287,963)	-	(4,287,963)
161,218	-	-	(100,334)	-	(100,334)
28,350	-	-	(22,544)	-	(22,544)
238,884	63,177	-	(885,993)	-	(885,993)
273,478	728,646	-	338,279	-	338,279
41,012	-	-	(472,707)	-	(472,707)
259,838	948,469	641,428	(4,469,660)	-	(4,469,660)
1,113,681	177,632	151,531	130,032	-	130,032
189,073	65,808	-	(3,450,393)	-	(3,450,393)
38,148	-	-	4,408	-	4,408
-	-	-	(877,958)	-	(877,958)
<u>2,472,563</u>	<u>2,053,072</u>	<u>792,959</u>	<u>(18,332,444)</u>	<u>-</u>	<u>(18,332,444)</u>
25,214,713	-	1,071,070	-	289,875	289,875
3,014,381	-	-	-	(786,864)	(786,864)
3,153,765	-	-	-	(1,411,060)	(1,411,060)
<u>31,382,859</u>	<u>-</u>	<u>1,071,070</u>	<u>-</u>	<u>(1,908,049)</u>	<u>(1,908,049)</u>
<u>\$ 33,855,422</u>	<u>\$ 2,053,072</u>	<u>\$ 1,864,029</u>	<u>(18,332,444)</u>	<u>(1,908,049)</u>	<u>(20,240,493)</u>
General Revenues					
Property Taxes Levied for General Purposes			1,365,233	-	1,365,233
Property Taxes Levied for Playground and Recreation			504,072	-	504,072
Municipal Income Taxes			13,028,773	-	13,028,773
Other Local Taxes			1,838,772	-	1,838,772
Grants and Entitlements not Restricted to Specific Programs			2,175,328	-	2,175,328
Franchise Fees			186,828	-	186,828
Interest			369,323	106,164	475,487
Other			317,654	1,447,186	1,764,840
Investment in Joint Venture			-	17,740	17,740
<i>Total General Revenues</i>			<u>19,785,983</u>	<u>1,571,090</u>	<u>21,357,073</u>
Transfers			(4,597,400)	4,597,400	-
<i>Change in Net Assets</i>			<u>(3,143,861)</u>	<u>4,260,441</u>	<u>1,116,580</u>
Net Assets Beginning of Year - See Note 3			<u>36,840,111</u>	<u>77,148,556</u>	<u>113,988,667</u>
<i>Net Assets End of Year</i>			<u>\$ 33,696,250</u>	<u>\$ 81,408,997</u>	<u>\$ 115,105,247</u>

**City of Bowling Green
Wood County**

Balance Sheet
Governmental Funds
December 31, 2003

	General
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,996,624
Cash and Cash Equivalents in Segregated Accounts	-
Accounts Receivable	414,392
Accrued Interest Receivable	26,210
Due from Other Governments	1,396,047
Municipal Income Taxes Receivable	1,270,298
Other Local Taxes Receivable	27,603
Prepaid Items	101,134
Restricted Assets	
Equity in Pooled Cash and Cash Equivalents	20,348
Cash and Cash Equivalents with Escrow Agents	4,397
Property Taxes Receivable	1,427,750
Notes Receivable	-
Special Assessments Receivable	-
<i>Total Assets</i>	\$ 8,684,803
 Liabilities and Fund Balance	
<u>Liabilities</u>	
Accrued Wages Payable	273,405
Accounts Payable	152,079
Contracts Payable	13,557
Due to Other Governments	347,856
Interfund Payable	48,219
Matured Compensated Absences Payable	39,630
Retainage Payable	-
Deferred Revenue	2,932,446
Liabilities Payable from Restricted Assets	
Retainage Payable	4,397
<i>Total Liabilities</i>	3,811,589
<u>Fund Balance</u>	
Reserved for Unclaimed Monies	20,348
Reserved for Notes Receivable	-
Reserved for Encumbrances	200,346
Unreserved, Reported in	
General Fund	4,652,520
Special Revenue Funds	-
Debt Service Fund	-
Capital Projects Funds	-
<i>Total Fund Balance</i>	4,873,214
<i>Total Liabilities and Fund Balance</i>	\$ 8,684,803

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Playground and Recreation	Sewer and Water Improvement	Main/Wooster Street Improvement	Other Governmental	Total Governmental Funds
\$ 257,766	\$ 4,615,622	\$ 229,109	\$ 12,079,442	\$ 21,178,563
-	-	-	1,536	1,536
-	-	-	1,135	415,527
-	-	-	-	26,210
28,886	-	-	420,642	1,845,575
84,601	846,780	-	1,050,491	3,252,170
-	-	-	-	27,603
-	-	-	469	101,603
-	-	-	-	20,348
-	131,884	-	46,193	182,474
527,021	-	-	-	1,954,771
-	-	-	780,833	780,833
-	-	-	764,070	764,070
<u>\$ 898,274</u>	<u>\$ 5,594,286</u>	<u>\$ 229,109</u>	<u>\$ 15,144,811</u>	<u>\$ 30,551,283</u>
12,701	-	-	96,636	382,742
22,501	71,585	-	115,311	361,476
-	197,063	-	135,824	346,444
14,206	-	-	173,434	535,496
2,019	7,054	-	6,931	64,223
-	-	-	-	39,630
-	13,993	-	-	13,993
576,209	203,211	-	1,355,810	5,067,676
-	131,884	-	46,193	182,474
<u>627,636</u>	<u>624,790</u>	<u>-</u>	<u>1,930,139</u>	<u>6,994,154</u>
-	-	-	-	20,348
-	-	-	587,536	587,536
62,524	406,935	-	739,446	1,409,251
-	-	-	-	4,652,520
208,114	-	-	5,177,391	5,385,505
-	-	-	33,239	33,239
-	4,562,561	229,109	6,677,060	11,468,730
<u>270,638</u>	<u>4,969,496</u>	<u>229,109</u>	<u>13,214,672</u>	<u>23,557,129</u>
<u>\$ 898,274</u>	<u>\$ 5,594,286</u>	<u>\$ 229,109</u>	<u>\$ 15,144,811</u>	<u>\$ 30,551,283</u>

This page intentionally left blank.

**City of Bowling Green
Wood County**

Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
December 31, 2003

Total Governmental Fund Balance \$ 23,557,129

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

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

Governmental Activities	33,418,809	
Internal Service Fund	(25,200)	
		33,393,609

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

Accounts Receivable	377,785	
Accrued Interest Receivable	18,943	
Due from Other Governments	1,169,828	
Municipal Income Taxes Receivable	780,459	
Other Local Taxes Receivable	1,820	
Property Taxes Receivable	17,861	
Special Assessments Receivable	764,070	
		3,130,766

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (3,727)

Due to other governments includes contractually required pension contributions not expected to be paid with available expendable financial resources and, therefore, not reported in the funds. (68,047)

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

Accrued Interest Payable	(63,567)	
Notes Payable	(12,335,000)	
General Obligation Bonds Payable	(112,000)	
OWDA Loans Payable	(12,823,134)	
Compensated Absences Payable	(1,078,589)	
Compensated Absences Payable-Internal Service Fund	57,401	
		(26,354,889)

An internal service fund is used by management to charge the cost of engineering services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. 41,409

Net Assets of Governmental Activities \$ 33,696,250

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**City of Bowling Green
Wood County**

Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2003

	General
<u>Revenues</u>	
Property Taxes	\$ 1,370,248
Municipal Income Taxes	5,159,275
Other Local Taxes	1,981,226
Special Assessments	-
Charges for Services	1,013,976
Fees, Licenses, and Permits	71,922
Fines and Forfeitures	559,756
Intergovernmental	2,332,369
Interest	556,496
Other	106,015
<i>Total Revenues</i>	13,151,283
Expenditures	
Current:	
Security of Persons and Property	
Police	3,254,603
Fire	2,183,516
Ambulance	115,286
Public Health	48,629
Leisure Time Activities	-
Community Environment	391,996
Basic Utility Services	518,183
Transportation	1,936,979
General Government	
Court	1,102,383
Other	2,782,169
Capital Outlay	-
Debt Service	
Principal Retirement	-
Interest and Fiscal Charges	-
<i>Total Expenditures</i>	12,333,744
<i>Excess of Revenues Over (Under) Expenditures</i>	817,539
Other Financing Sources (Uses)	
Sale of Capital Assets	-
Notes Issued	-
Bonds Issued	-
OWDA Loans Issued	-
Transfers In	57,950
Transfers Out	(544,785)
<i>Total Other Financing Sources (Uses)</i>	(486,835)
<i>Change in Fund Balance</i>	330,704
Fund Balance Beginning of Year - Restated (Note 3)	4,542,510
<i>Fund Balance End of Year</i>	\$ 4,873,214

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Playground and Recreation	Sewer and Water Improvement	Main/Wooster Street Improvement	Other Governmental	Total Governmental Funds
\$ 505,893	\$ -	\$ -	\$ -	\$ 1,876,141
343,284	3,433,072	-	4,259,159	13,194,790
-	-	-	174,480	2,155,706
-	-	-	40,495	40,495
238,884	-	-	203,910	1,456,770
-	40,847	-	8,102	120,871
-	-	-	227,890	787,646
62,240	-	-	2,032,033	4,426,642
43	-	-	132,746	689,285
28,714	26	16,322	166,765	317,842
<u>1,179,058</u>	<u>3,473,945</u>	<u>16,322</u>	<u>7,245,580</u>	<u>25,066,188</u>
-	-	-	1,207,747	4,462,350
-	-	-	2,119,127	4,302,643
-	-	-	101,778	217,064
-	-	-	2,555	51,184
1,357,273	-	-	-	1,357,273
-	-	-	332,775	724,771
-	-	-	-	518,183
-	-	-	1,325,910	3,262,889
-	-	-	96,487	1,198,870
14,437	-	-	107,834	2,904,440
-	4,245,946	28,976	3,828,235	8,103,157
-	1,219,919	4,347,168	9,827,832	15,394,919
-	635,580	20,968	248,226	904,774
<u>1,371,710</u>	<u>6,101,445</u>	<u>4,397,112</u>	<u>19,198,506</u>	<u>43,402,517</u>
<u>(192,652)</u>	<u>(2,627,500)</u>	<u>(4,380,790)</u>	<u>(11,952,926)</u>	<u>(18,336,329)</u>
-	-	-	290,903	290,903
-	-	4,392,963	10,392,037	14,785,000
-	-	-	52,000	52,000
-	2,569,381	-	-	2,569,381
-	-	-	1,029,706	1,087,656
(91,430)	-	-	(451,441)	(1,087,656)
<u>(91,430)</u>	<u>2,569,381</u>	<u>4,392,963</u>	<u>11,313,205</u>	<u>17,697,284</u>
(284,082)	(58,119)	12,173	(639,721)	(639,045)
554,720	5,027,615	216,936	13,854,393	24,196,174
<u>\$ 270,638</u>	<u>\$ 4,969,496</u>	<u>\$ 229,109</u>	<u>\$ 13,214,672</u>	<u>\$ 23,557,129</u>

**City of Bowling Green
Wood County**

Reconciliation of Statement of Revenues, Expenditures, and Change in
Fund Balance of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2003

Change in Fund Balance - Total Governmental Funds \$ (639,045)

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

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

Capital Outlay	1,501,684	
Capital Contributions	189,470	
Depreciation	(1,887,172)	
Depreciation-Internal Service Fund	<u>7,643</u>	(188,375)

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

Sale of Capital Assets	(290,903)	
Loss on Disposal of Capital Assets	<u>(248,563)</u>	(539,466)

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

Property Taxes	(6,836)	
Municipal Income Taxes	(166,017)	
Other Local Taxes	44,374	
Special Assessments	(35,411)	
Charges for Services	30,931	
Fees, Licenses, and Permits	610	
Intergovernmental	130,481	
Interest	(187,173)	
Other	<u>(188)</u>	(189,229)

(Continued)

**City of Bowling Green
Wood County**

Reconciliation of Statement of Revenues, Expenditures, and Change in
Fund Balance of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2003
(Continued)

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

Notes Payable	14,207,500	
General Obligation Bonds Payable	30,000	
OWDA Loans Payable	<u>1,157,419</u>	15,394,919

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

Notes Issued	(14,785,000)	
Bonds Issued	(52,000)	
OWDA Loans Issued	<u>(2,569,381)</u>	(17,406,381)

Interest is reported as an expenditure when due in the governmental
funds, but is accrued on outstanding debt on the statement of
net assets.

26,816

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

Due to Other Governments	343,206	
Compensated Absences Payable	<u>13,584</u>	356,790

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

35,702

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

4,408

Change in Net Assets of Governmental Activities

\$ (3,143,861)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**City of Bowling Green
Wood County**

Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 1,088,187	\$ 1,362,955	\$ 1,370,248	\$ 7,293
Municipal Income Taxes	5,147,268	5,112,656	5,098,497	(14,159)
Other Local Taxes	1,819,200	1,783,040	2,132,151	349,111
Charges for Services	863,202	889,827	997,693	107,866
Fees, Licenses, and Permits	549,350	50,600	71,622	21,022
Fines and Forfeitures	-	487,500	556,591	69,091
Intergovernmental	1,014,169	2,101,957	1,976,680	(125,277)
Interest	-	425,000	368,941	(56,059)
Other	623,351	14,702	78,234	63,532
<i>Total Revenues</i>	<u>11,104,727</u>	<u>12,228,237</u>	<u>12,650,657</u>	<u>422,420</u>
Expenditures				
Current:				
Security of Persons and Property				
Police	3,360,684	3,421,254	3,159,466	261,788
Fire	2,311,413	2,302,029	2,111,948	190,081
Ambulance	167,778	177,162	113,090	64,072
Public Health	54,285	54,285	49,328	4,957
Community Environment	424,919	474,919	373,699	101,220
Basic Utility Services	672,911	672,911	492,631	180,280
Transportation	2,382,936	2,382,936	2,008,825	374,111
General Government				
Court	1,246,884	1,246,884	1,092,524	154,360
Other	4,150,200	3,600,354	2,807,853	792,501
Other	-	1,000	4	996
<i>Total Expenditures</i>	<u>14,772,010</u>	<u>14,333,734</u>	<u>12,209,368</u>	<u>2,124,366</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,667,283)</u>	<u>(2,105,497)</u>	<u>441,289</u>	<u>2,546,786</u>
Other Financing Sources (Uses)				
Other Financing Sources	57,950	5,500	19,646	14,146
Advances In	-	-	6,300	6,300
Advances Out	-	(6,300)	(6,300)	-
Transfers In	974	57,950	57,950	-
Transfers Out	-	(545,748)	(544,785)	963
<i>Total Other Financing Sources (Uses)</i>	<u>58,924</u>	<u>(488,598)</u>	<u>(467,189)</u>	<u>21,409</u>
<i>Change in Fund Balance</i>	<u>(3,608,359)</u>	<u>(2,594,095)</u>	<u>(25,900)</u>	<u>2,568,195</u>
Fund Balance Beginning of Year	3,172,643	3,172,643	3,172,643	-
Prior Year Encumbrances Appropriated	403,229	403,229	403,229	-
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ (32,487)</u>	<u>\$ 981,777</u>	<u>\$ 3,549,972</u>	<u>\$ 2,568,195</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**City of Bowling Green
Wood County**

Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual Comparison
Playground and Recreation Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 507,821	\$ 511,493	\$ 505,893	\$ (5,600)
Municipal Income Taxes	342,808	340,827	339,884	(943)
Charges for Services	252,094	258,316	237,953	(20,363)
Intergovernmental	56,425	64,609	62,240	(2,369)
Interest	-	-	40	40
Other	13,748	132,949	12,514	(120,435)
<i>Total Revenues</i>	<u>1,172,896</u>	<u>1,308,194</u>	<u>1,158,524</u>	<u>(149,670)</u>
Expenditures				
Current:				
Leisure Time Activities	1,563,983	1,614,283	1,416,629	197,654
General Government				
Other	15,618	15,618	14,229	1,389
<i>Total Expenditures</i>	<u>1,579,601</u>	<u>1,629,901</u>	<u>1,430,858</u>	<u>199,043</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(406,705)</u>	<u>(321,707)</u>	<u>(272,334)</u>	<u>49,373</u>
Other Financing Sources (Uses)				
Other Financing Sources	-	-	16,200	16,200
Proceeds of Notes	-	26,647	-	(26,647)
Transfers Out	-	(91,430)	(91,430)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(64,783)</u>	<u>(75,230)</u>	<u>(10,447)</u>
<i>Change in Fund Balance</i>	<u>(406,705)</u>	<u>(386,490)</u>	<u>(347,564)</u>	<u>38,926</u>
Fund Balance Beginning of Year	495,030	495,030	495,030	-
Prior Year Encumbrances Appropriated	33,292	33,292	33,292	-
<i>Fund Balance End of Year</i>	<u>\$ 121,617</u>	<u>\$ 141,832</u>	<u>\$ 180,758</u>	<u>\$ 38,926</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**City of Bowling Green
Wood County**

Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Business-Type Activities			Total Enterprise Funds	Governmental
	Electric	Water	Sewer		Activity Internal Service Fund
Assets					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 4,021,101	\$ 3,749,412	\$ 2,964,736	\$ 10,735,249	\$ 59,739
Accounts Receivable	2,015,056	310,627	301,046	2,626,729	3,621
Accrued Interest Receivable	531	704	-	1,235	-
Interfund Receivable	36,813	13,037	12,812	62,662	24,583
Prepaid Items	26,674	25,005	25,872	77,551	-
Materials and Supplies Inventory	821,871	149,184	23,724	994,779	-
<i>Total Current Assets</i>	<u>6,922,046</u>	<u>4,247,969</u>	<u>3,328,190</u>	<u>14,498,205</u>	<u>87,943</u>
<u>Non-Current Assets</u>					
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	-	1,130,168	-	1,130,168	-
Nondepreciable Capital Assets	448,458	293,025	1,829,366	2,570,849	-
Depreciable Capital Assets, Net	17,250,844	26,417,159	35,144,657	78,812,660	25,200
Investment in Joint Venture	8,307,196	-	-	8,307,196	-
<i>Total Non-Current Assets</i>	<u>26,006,498</u>	<u>27,840,352</u>	<u>36,974,023</u>	<u>90,820,873</u>	<u>25,200</u>
<i>Total Assets</i>	<u>32,928,544</u>	<u>32,088,321</u>	<u>40,302,213</u>	<u>105,319,078</u>	<u>113,143</u>
Liabilities					
<u>Current Liabilities</u>					
Accrued Wages Payable	66,255	34,455	37,657	138,367	6,571
Accounts Payable	1,982,464	112,222	77,212	2,171,898	248
Due to Other Governments	73,751	38,417	44,577	156,745	7,066
Interfund Payable	3,713	3,749	15,112	22,574	448
Accrued Interest Payable	11,256	7,608	23,470	42,334	-
Notes Payable	7,361,000	1,270,000	4,255,000	12,886,000	-
Compensated Absences Payable	132,556	52,963	61,302	246,821	-
Capital Leases Payable	-	-	46,061	46,061	-
AMP Ohio Payable	326,099	-	-	326,099	-
<i>Total Current Liabilities</i>	<u>9,957,094</u>	<u>1,519,414</u>	<u>4,560,391</u>	<u>16,036,899</u>	<u>14,333</u>
<u>Non-Current Liabilities</u>					
Compensated Absences Payable	417,712	199,849	233,604	851,165	57,401
Capital Leases Payable	-	-	119,384	119,384	-
AMP Ohio Payable	6,906,360	-	-	6,906,360	-
<i>Total Non-Current Liabilities</i>	<u>7,324,072</u>	<u>199,849</u>	<u>352,988</u>	<u>7,876,909</u>	<u>57,401</u>
<i>Total Liabilities</i>	<u>17,281,166</u>	<u>1,719,263</u>	<u>4,913,379</u>	<u>23,913,808</u>	<u>71,734</u>

(Continued)

**City of Bowling Green
Wood County**

Statement of Fund Net Assets
Proprietary Funds
December 31, 2003
(Continued)

	Business-Type Activities			Total Enterprise Funds	Governmental
	Electric	Water	Sewer		Activity Internal Service Fund
Net Assets					
Invested in Capital Assets, Net of Related Debt	10,338,302	26,570,352	32,553,578	69,462,232	25,200
Restricted for Water Treatment Plant Improvement	-	1,130,168	-	1,130,168	-
Unrestricted	5,309,076	2,668,538	2,835,256	10,812,870	16,209
<i>Total Net Assets</i>	<u>\$ 15,647,378</u>	<u>\$ 30,369,058</u>	<u>\$ 35,388,834</u>	81,405,270	<u>\$ 41,409</u>

Net assets reported for business-type activities on the statement of net assets are different because they include a proportionate share of the balance of the internal service fund.

	3,727
<i>Net assets of business-type activities</i>	<u>\$ 81,408,997</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**City of Bowling Green
Wood County**

Statement of Revenues, Expenses, and Change in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
Operating Revenues					
Charges for Services	\$ 23,653,384	\$ 3,019,656	\$ 3,156,800	\$ 29,829,840	\$ 379,152
Other	1,071,299	33,428	342,459	1,447,186	2,328
<i>Total Operating Revenues</i>	<u>24,724,683</u>	<u>3,053,084</u>	<u>3,499,259</u>	<u>31,277,026</u>	<u>381,480</u>
Operating Expenses					
Purchased Power	19,049,023	-	-	19,049,023	-
Plant Operation	-	768,840	774,924	1,543,764	-
Plant Maintenance	-	376,236	472,701	848,937	-
Distribution Operation	1,344,231	408,532	141,152	1,893,915	-
Distribution Maintenance	1,359,807	419,530	335,941	2,115,278	-
Customer Account Collection	283,402	85,710	82,916	452,028	-
Administrative and General	1,198,782	717,923	987,351	2,904,056	-
Depreciation	1,045,875	1,018,381	1,700,165	3,764,421	7,643
Other	-	-	-	-	329,760
<i>Total Operating Expenses</i>	<u>24,281,120</u>	<u>3,795,152</u>	<u>4,495,150</u>	<u>32,571,422</u>	<u>337,403</u>
<i>Operating Income (Loss)</i>	<u>443,563</u>	<u>(742,068)</u>	<u>(995,891)</u>	<u>(1,294,396)</u>	<u>44,077</u>
Non-Operating Revenues (Expenses)					
Loss on Disposal of Capital Assets	(17,138)	-	-	(17,138)	-
Other Local Taxes	1,572,477	-	-	1,572,477	-
Excise Tax Expense	(1,572,477)	-	-	(1,572,477)	-
Interest Revenue	36,070	42,224	27,870	106,164	-
Interest Expense	(129,278)	(9,892)	(85,196)	(224,366)	-
Investment in Joint Venture	17,740	-	-	17,740	-
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(92,606)</u>	<u>32,332</u>	<u>(57,326)</u>	<u>(117,600)</u>	<u>-</u>
<i>Income before Contributions</i>	<u>350,957</u>	<u>(709,736)</u>	<u>(1,053,217)</u>	<u>(1,411,996)</u>	<u>44,077</u>
Capital Contributions	1,071,070	3,393,925	1,203,475	5,668,470	-
<i>Change in Net Assets</i>	<u>1,422,027</u>	<u>2,684,189</u>	<u>150,258</u>	<u>4,256,474</u>	<u>44,077</u>
Net Assets (Deficit) Beginning of Year - Restated (Note 3)	<u>14,225,351</u>	<u>27,684,869</u>	<u>35,238,576</u>		<u>(2,668)</u>
<i>Net Assets End of Year</i>	<u>\$ 15,647,378</u>	<u>\$ 30,369,058</u>	<u>\$ 35,388,834</u>		<u>\$ 41,409</u>

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund.

	3,967
<i>Change in net assets of business-type activities</i>	\$ 4,260,441

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**City of Bowling Green
Wood County**

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$ 23,830,809	\$ 3,029,437	\$ 3,170,768	\$ 30,031,014	\$ -
Cash Received from Transactions with Other Funds	-	-	-	-	369,018
Cash Payments for Purchased Power	(19,459,350)	-	-	(19,459,350)	-
Cash Payments for Plant Operation	-	(802,759)	(835,578)	(1,638,337)	-
Cash Payments for Plant Maintenance	-	(362,591)	(446,652)	(809,243)	-
Cash Payments for Distribution Operation	(1,356,000)	(437,029)	(148,474)	(1,941,503)	-
Cash Payments for Distribution Maintenance	(1,243,023)	(424,566)	(356,031)	(2,023,620)	-
Cash Payments for Customer Account Collection	(260,989)	(79,135)	(79,178)	(419,302)	-
Cash Payments for Administrative and General	(1,317,442)	(718,104)	(995,422)	(3,030,968)	-
Cash Received from Other Revenues	1,048,472	33,428	342,459	1,424,359	2,328
Cash Payments for Other Expenses	-	-	-	-	(330,424)
<i>Net Cash Provided by Operating Activities</i>	<u>1,242,477</u>	<u>238,681</u>	<u>651,892</u>	<u>2,133,050</u>	<u>40,922</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Cash Received from Other Local Taxes	1,572,477	-	-	1,572,477	-
Cash Payments for Contributions	(1,572,477)	-	-	(1,572,477)	-
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(7,896,000)	(150,000)	(4,362,500)	(12,408,500)	-
Principal Paid on Capital Leases	-	-	(50,199)	(50,199)	-
Interest Paid on Bond Anticipation Notes	(139,842)	(3,366)	(108,310)	(251,518)	-
Interest Paid on Capital Leases	-	-	(5,029)	(5,029)	-
Proceeds of Notes	7,361,000	1,270,000	4,130,000	12,761,000	-
Acquisition of Capital Assets	(328,965)	(72,886)	(222,252)	(624,103)	-
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,003,807)</u>	<u>1,043,748</u>	<u>(618,290)</u>	<u>(578,349)</u>	<u>-</u>
<u>Cash Flows from Investing Activities</u>					
Interest	35,539	41,520	27,870	104,929	-
<i>Net Increase in Cash and Cash Equivalents</i>	274,209	1,323,949	61,472	1,659,630	40,922
Cash and Cash Equivalents Beginning of Year	3,746,892	3,555,631	2,903,264	10,205,787	18,817
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 4,021,101</u>	<u>\$ 4,879,580</u>	<u>\$ 2,964,736</u>	<u>\$ 11,865,417</u>	<u>\$ 59,739</u>

(Continued)

**City of Bowling Green
Wood County**

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003
(Continued)

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
Operating Income (Loss)	\$ 443,563	\$ (742,068)	\$ (995,891)	\$ (1,294,396)	\$ 44,077
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Depreciation	1,045,875	1,018,381	1,700,165	3,764,421	7,643
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	178,870	(617)	14,223	192,476	(2,012)
(Increase) Decrease in Interfund Receivable	(24,272)	10,398	(255)	(14,129)	(8,122)
Increase in Prepaid Items	(2,526)	(2,429)	(2,559)	(7,514)	-
(Increase) Decrease in Materials and Supplies Inventory	31,548	(13,978)	(2,308)	15,262	-
Increase (Decrease) in Accrued Wages Payable	13,683	919	(15,644)	(1,042)	(301)
Increase (Decrease) in Accounts Payable	(415,964)	24,395	(82,223)	(473,792)	(231)
Decrease in Retainage Payable	(2,662)	-	-	(2,662)	-
Decrease in Due to Other Governments	(17,894)	(14,813)	(4,415)	(37,122)	(3,910)
Increase (Decrease) in Interfund Payable	(116,478)	421	(7,226)	(123,283)	278
Increase (Decrease) in Compensated Absences Payable	108,734	(41,928)	48,025	114,831	3,500
Net Cash Provided by Operating Activities	\$ 1,242,477	\$ 238,681	\$ 651,892	\$ 2,133,050	\$ 40,922

Non-Cash Capital Financing Activities:

During 2003, the Sewer enterprise fund entered into a new capital lease for vehicles. This lease has been capitalized in the fund, in the amount of \$138,154.

During 2003, the Electric enterprise fund received capital assets donated by developers and private contractors, in the amount of \$1,071,070. The Water and Sewer enterprise funds received capital assets that were constructed in the City's governmental funds, in the amount of \$3,393,925 and \$1,203,475, respectively.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**City of Bowling Green
Wood County**

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets	
Cash and Cash Equivalents in Segregated Accounts	\$ 242,480
Special Assessments Receivable	<u>202,852</u>
<i>Total Assets</i>	<u><u>\$ 445,332</u></u>
 Liabilities	
Undistributed Assets	<u><u>\$ 445,332</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

A. The City

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

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

B. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Bowling Green in 2003.

The City participates in a public entity shared risk pool and two joint ventures. These organizations are the Buckeye Ohio Risk Management Agency (BORMA), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), and the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5). These organizations are presented in Notes 22 and 23 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

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

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

Main/Wooster Street Improvement Fund - The Main/Wooster Street Improvement Fund accounts for debt proceeds used for infrastructure improvements on Main and Wooster streets in connection with the Heritage 2000 project.

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

Proprietary Funds

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

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

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2003. Agency funds are custodial in nature (assets

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for special assessments levied and paid to the Bowling Green Central Business Special Improvement District, Inc., monies collected from a fundraising project for the Bowling Green Central Business Special Improvement District, Inc., and fines and fees collected by the Bowling Green Municipal Court (excluding those due to the City of Bowling Green).

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days after year end.

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2003, but were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

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

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

F. Cash and Investments

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

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

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

During 2003, the City's investments included federal agency securities, bonds of the City, and Star Ohio. Investments are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2003 was \$556,496, which includes \$417,900 assigned from other City funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

H. Inventory

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

I. Restricted Assets

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

Unclaimed monies that have a legal restriction are reported as restricted. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted. Unspent note proceeds in the Water enterprise fund that are restricted for water treatment plant improvements are reported as restricted.

J. Capital Assets

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

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

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City's infrastructure consists of streets, electric lines, water lines, sewer lines, and storm sewer lines. Depreciation is computed using the straight-line method over the following useful lives:

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

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

K. Interfund Assets/Liabilities

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

L. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

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

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

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

N. Net Assets

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

O. Fund Balance Reserves

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

P. Operating Revenues and Expenses

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

Q. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

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

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

S. Estimates

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

NOTE 3 - RESTATEMENT OF FUND EQUITY

For 2003, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the City's programs between governmental activities and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the full accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the prior year.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the City uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the City's financial statements for 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For 2003, the City has increased the threshold amount for capitalizing assets. The threshold amount was increased from \$1,000 to \$15,000.

During 2004, the City determined that its liability to AMP-Ohio was overstated as of December 31, 2003.

The restatement due to the implementation of the above statements, interpretation, and changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

	General	Playground and Recreation	Sewer and Water Improvement	Main/Wooster Street Improvement	Other Governmental	Total Governmental Activities
Fund Balance December 31, 2002	\$ 4,471,133	\$ 553,568	\$ 5,027,615	\$ 216,936	\$ 13,699,352	\$ 23,968,604
GASB Statement No. 34						
Adjustment:						
Change in Fund Structure	18,444	-	-	-	143,604	162,048
GASB Interpretation No. 6 Adjustment:						
Compensated Absences	52,933	1,152	-	-	11,437	65,522
Adjusted Fund Balance	<u>\$ 4,542,510</u>	<u>\$ 554,720</u>	<u>\$ 5,027,615</u>	<u>\$ 216,936</u>	<u>\$ 13,854,393</u>	24,196,174
GASB Statement No. 34						
Adjustments:						
Accounts Receivable						299,087
Accrued Interest Receivable						206,116
Due from Other Governments						1,038,348
Municipal Income Taxes Receivable						946,476
Other Local Taxes Receivable						5,790
Property Taxes Receivable						24,697
Special Assessments Receivable						799,481
Capital Assets						34,154,293
Capital Assets-Internal Service Fund						(32,843)
Due to Other Governments						(411,253)
Accrued Interest Payable						(90,383)
Notes Payable						(11,757,500)
General Obligation Bonds Payable						(90,000)
Compensated Absences Payable						(1,088,673)
Compensated Absences Payable-Internal Service Fund						53,901
OWDA Loans Payable						(11,411,172)
Internal Service Fund-Internal Balance						240
Internal Service Fund-Governmental Portion						(2,401)
Internal Service Fund-External Portion						(267)
<i>Governmental Activities Net Assets at December 31, 2002</i>						<u>\$ 36,840,111</u>

The restatement of the business-type activities and the internal service fund are as follows:

	Electric	Water	Sewer	Total Business-Type Activities	Engineering
Fund Equity December 31, 2002	\$ 14,087,555	\$ 29,212,279	\$ 31,685,897	\$ 74,985,731	\$ 4,587
Change in Threshold:					
Capital Assets	(2,570,692)	(3,293,734)	(2,233,256)	(8,097,682)	(31,486)
Accumulated Depreciation	1,618,112	1,766,324	5,785,935	9,170,371	24,231
AMP Ohio Payable	1,090,376	-	-	1,090,376	-
	<u>\$ 14,225,351</u>	<u>\$ 27,684,869</u>	<u>\$ 35,238,576</u>	77,148,796	<u>\$ (2,668)</u>
Internal Service Fund - Internal Balance				(240)	
Adjusted Net Assets December 31, 2002				<u>\$ 77,148,556</u>	

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

NOTE 4 - COMPLIANCE

The General Fund had original appropriations in excess of estimated resources for the year ended December 31, 2003, in the amount of \$32,487. However, appropriations were modified so final appropriations would be reflected appropriately.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

	Change in Fund Balance	
	General	Playground and Recreation
GAAP Basis	\$ 330,704	\$ (284,082)
Increases (Decreases) Due To		
Revenue Accruals:		
Accrued 2002, Received in Cash 2003	1,349,765	60,994
Accrued 2003, Not Yet Received in Cash	(1,629,854)	(64,299)
Expenditure Accruals:		
Accrued 2002, Paid in Cash 2003	(504,374)	(34,596)
Accrued 2003, Not Yet Paid in Cash	874,746	51,427

(Continued)

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

Change in Fund Balance (Continued)		
	General	Playground and Recreation
Cash Adjustments:		
Unrecorded Activity 2002	26,337	-
Unrecorded Activity 2003	(227,228)	(1,029)
Prepaid Items	(6,224)	-
Advances In	6,300	-
Advances Out	(6,300)	-
Encumbrances Outstanding at Year End (Budget Basis)	(239,772)	(75,979)
Budget Basis	\$ (25,900)	\$ (347,564)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation,

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

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

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

At year end, the City had \$2,780 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

At year end, the carrying amount of the City's deposits was \$23,271,947 and the bank balance was \$24,648,488. Of the bank balance, \$862,957 was covered by the federal depository insurance and \$23,785,531 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

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

	<u>Category 1</u>	<u>Category 3</u>	Fair Value
Federal Home Loan Bank Bonds	\$ -	\$ 500,470	\$ 500,470
Federal National Mortgage Association Notes	-	1,491,990	1,491,990
Federal National Mortgage Association Bonds	-	1,109,767	1,109,767
Federal Home Loan Mortgage Corporation Notes	-	1,493,665	1,493,665
Federal Home Loan Mortgage Corporation Bonds	-	502,300	502,300
City of Bowling Green Bonds	114,067	-	114,067
	<u>\$ 114,067</u>	<u>\$ 5,098,192</u>	5,212,259
STAR Ohio			<u>5,063,571</u>
<i>Total</i>			<u><u>\$ 10,275,830</u></u>

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

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 33,550,557	\$ -
Cash on Hand	(2,780)	-
Investments:		
Federal Home Loan Bank Bonds	(500,470)	500,470
Federal National Mortgage Association Notes	(1,491,990)	1,491,990
Federal National Mortgage Association Bonds	(1,109,767)	1,109,767
Federal Home Loan Mortgage Corporation Notes	(1,493,665)	1,493,665
Federal Home Loan Mortgage Corporation Bonds	(502,300)	502,300
City of Bowling Green Bonds	(114,067)	114,067
STAR Ohio	(5,063,571)	5,063,571
GASB Statement No. 3	<u>\$ 23,271,947</u>	<u>\$ 10,275,830</u>

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements,

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; notes; and special assessments. Notes receivable, in the amount of \$587,536, will not be received within one year. Special assessments receivable, in the amount of \$724,096, will not be received within one year. At December 31, 2003, the amount of delinquent special assessments was \$4,562.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$ 78,828
Charges for Services	42,324
Fees, Licenses, and Permits	600
Fines and Forfeitures	36,225
Local Government	698,380
Usage Tax	14,434
Estate Tax	525,256
<i>Total General Fund</i>	1,396,047
Playground and Recreation	
Homestead and Rollback	28,886
<i>Total Major Funds</i>	1,424,933
Nonmajor Funds	
Street Maintenance and Repair	
Gasoline Tax	198,013
Auto Registration	74,095
Motor Vehicle License Tax	109,050
State of Ohio	23
<i>Total Street Maintenance and Repair</i>	381,181
State Highway	
Gasoline Tax	16,055
Auto Registration	6,008
<i>Total State Highway</i>	22,063
Law Enforcement Drug	
Fines and Forfeitures	640

(Continued)

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

	Amount
Nonmajor Funds (Continued)	
Indigent Drivers Alcohol	
Fines and Forfeitures	851
Education and Enforcement	
Fines and Forfeitures	537
Municipal Probation Services	
Charges for Services	3,942
Municipal Court Improvement	
Charges for Services	425
Fines and Forfeitures	10,748
<i>Total Municipal Court Improvement</i>	11,173
Municipal Court Computerization	
Charges for Services	255
<i>Total Nonmajor Funds</i>	420,642
<i>Total Governmental Activities</i>	\$ 1,845,575

NOTE 8 - NOTES RECEIVABLE

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant program. The notes have an annual interest rate of 3 percent and are to be repaid over periods ranging from five to twenty years. A summary of the changes in notes receivable during 2003 follows:

	Balance 12/31/02	New Loans	Repayments	Balance 12/31/03	Due Within One Year
Special Revenue Fund					
CDBG					
Revolving Loan Program	\$ 487,141	\$ 125,112	\$ 148,172	\$ 464,081	\$ 144,285
Home Program	306,687	-	62,193	244,494	18,462
Downtown Revolving Loan Program	34,868	70,000	30,667	74,201	30,550
<i>Total Notes Receivable</i>	\$ 828,696	\$ 195,112	\$ 241,032	782,776	\$ 193,297
Amounts Written Off During 2003				(1,943)	
				\$ 780,833	

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

NOTE 9 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1.92 percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 50 percent of the tax paid to another municipality, not to exceed 50 percent of the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

The City, by ordinance, allocates 1.5 percent of income taxes to the General Fund (.75); Playground and Recreation (.05) special revenue fund; and the Capital Improvement (.13), Sewer and Water Capital Improvement (.50), and Street Repair Capital Improvement (.07) capital projects funds. The remaining .42 percent is split between the Police Levy (.14) and Fire Levy (.28) special revenue funds.

NOTE 10 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2003 represent the collection of 2002 taxes. Real property taxes received in 2003 were levied after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2003 represent the collection of 2002 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2001, were levied after October 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2003 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2003 were levied after October 1, 2002, on the true value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations.

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

The full tax rate for all City operations for the year ended December 31, 2003, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2003 property tax receipts were based are as follows:

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Agricultural/Residential	\$ 238,734,040
Commercial/Industrial	138,247,240
Public Utility Real	11,370
Public Utility Personal	4,160,220
Tangible Personal	57,693,191
<i>Total</i>	<u><u>\$ 438,846,061</u></u>

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	<u>Balance 12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/03</u>
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$ 2,780,559	\$ 210,000	\$ (500,000)	\$ 2,490,559
Construction in Progress	-	682,881	-	682,881
<i>Total Nondepreciable Capital Assets</i>	<u>2,780,559</u>	<u>892,881</u>	<u>(500,000)</u>	<u>3,173,440</u>
Depreciable Capital Assets				
Land Improvements	1,943,388	74,210	-	2,017,598
Buildings	13,302,080	117,522	(21,548)	13,398,054
Equipment	1,705,293	19,040	(202,970)	1,521,363
Vehicles	4,787,200	198,068	-	4,985,268
Streets	35,459,176	389,433	-	35,848,609
<i>Total Depreciable Capital Assets</i>	<u>57,197,137</u>	<u>798,273</u>	<u>(224,518)</u>	<u>57,770,892</u>
Less Accumulated Depreciation for				
Land Improvements	(582,821)	(75,922)	-	(658,743)
Buildings	(4,247,016)	(276,395)	8,968	(4,514,443)
Equipment	(807,881)	(113,421)	-	(921,302)
Vehicles	(2,546,955)	(445,106)	176,084	(2,815,977)
Streets	(17,638,730)	(976,328)	-	(18,615,058)
<i>Total Accumulated Depreciation</i>	<u>(25,823,403)</u>	<u>(1,887,172)</u>	<u>185,052</u>	<u>(27,525,523)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>31,373,734</u>	<u>(1,088,899)</u>	<u>(39,466)</u>	<u>30,245,369</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$ 34,154,293</u></u>	<u><u>\$ (196,018)</u></u>	<u><u>\$ (539,466)</u></u>	<u><u>\$ 33,418,809</u></u>

The City accepted a contribution of depreciable capital assets for governmental activities with a fair value of \$189,470 during 2003.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$ 1,852,513	\$ 75,708	\$ -	\$ 1,928,221
Construction in Progress	1,466,630	195,082	(1,019,084)	642,628
<i>Total Nondepreciable Capital Assets</i>	<u>3,319,143</u>	<u>270,790</u>	<u>(1,019,084)</u>	<u>2,570,849</u>
Depreciable Capital Assets				
Buildings	43,321,974	117,046	-	43,439,020
Equipment	2,309,440	107,220	(40,048)	2,376,612
Vehicles	3,508,120	271,260	(83,891)	3,695,489
Electric, Water, Sewer, and Storm Sewer Lines	74,164,175	6,683,495	-	80,847,670
<i>Total Depreciable Capital Assets</i>	<u>123,303,709</u>	<u>7,179,021</u>	<u>(123,939)</u>	<u>130,358,791</u>
Less Accumulated Depreciation for				
Buildings	(17,116,427)	(1,102,051)	-	(18,218,478)
Equipment	(1,360,967)	(104,823)	22,910	(1,442,880)
Vehicles	(2,707,240)	(235,779)	83,891	(2,859,128)
Electric, Water, Sewer, and Storm Sewer Lines	(26,703,877)	(2,321,768)	-	(29,025,645)
<i>Total Accumulated Depreciation</i>	<u>(47,888,511)</u>	<u>(3,764,421)</u>	<u>106,801</u>	<u>(51,546,131)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>75,415,198</u>	<u>3,414,600</u>	<u>(17,138)</u>	<u>78,812,660</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$ 78,734,341</u>	<u>\$ 3,685,390</u>	<u>\$ (1,036,222)</u>	<u>\$ 81,383,509</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	\$ 140,592
Security of Persons and Property-Fire	163,574
Security of Persons and Property-Ambulance	51,151
Leisure Time Activities	78,021
Community Environment	771
Transportation	1,006,547
General Government-Court	127,707
General Government-Other	318,809
<i>Total Depreciation Expense - Governmental Activities</i>	<u>\$ 1,887,172</u>

NOTE 12 - INTERFUND BALANCES

Interfund balances at December 31, 2003, consisted of the following individual fund receivables and payables:

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

Due to Electric Fund from:	
General	\$ 24,470
Playground and Recreation	324
Other Governmental	871
Water	1,649
Sewer	9,499
<i>Total Electric Fund</i>	\$ 36,813
Due to Water Fund from:	
General	4,734
Playground and Recreation	712
Other Governmental	2,316
Electric	1,316
Sewer	3,959
<i>Total Water Fund</i>	\$ 13,037
Due to Sewer Fund from:	
General	5,633
Playground and Recreation	153
Other Governmental	3,543
Electric	2,273
Water	762
Engineering	448
<i>Total Sewer Fund</i>	\$ 12,812
Due to Internal Service Fund from:	
General	13,382
Playground and Recreation	830
Sewer and Water Improvement	7,054
Other Governmental	201
Electric	124
Water	1,338
Sewer	1,654
<i>Total Internal Service Fund</i>	\$ 24,583

The balances due to the Electric, Water, Sewer, and Engineering funds resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts are expected to be received within one year.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2003, the City contracted with

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

the Buckeye Ohio Risk Management Agency (BORMA) for property, liability, and crime insurance. The BORMA program is subject to a \$150,000 deductible for any property or liability loss in addition to a \$250,000 corridor deductible (one time deductible). Coverage provided by BORMA is as follows:

Property	
Building and Contents	\$ 330,064,810
Flood Annual Aggregate	21,000,000
Earthquake Annual Aggregate	21,000,000
Boiler and Machinery	50,000,000
General Liability	
Per Occurrence	\$1,000,000
Employee Benefit Liability	1,000,000
Ohio Stop Gap Liability	1,000,000
Public Official Liability	
Per Occurrence	1,000,000
Annual Aggregate	1,000,000
Law Enforcement Professional Liability	1,000,000
Automobile	
Liability	1,000,000
Uninsured Motorist	1,000,000
Crime	
Employee Dishonesty and Faithful Performance	1,000,000
Computer Fraud	500,000
Depositor's Forgery	500,000
Money and Securities	500,000
Excess Liability	
Per Occurrence	9,000,000
Annual Aggregate	9,000,000

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

The City participates in the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool among several cities in Northern Ohio. The City pays monthly premiums for health care coverage for its employees and for property, liability, and crime insurance. BORMA is responsible for the management and operations of the programs. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage provided under the respective programs. In the event of deficiencies, member cities are subject to supplemental assessments of up to 25 percent of the premiums paid during the year for health insurance and in an amount equal to the annual premiums for property, liability, and crime insurance. Upon withdrawal from BORMA, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal from the respective program.

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

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

NOTE 14 - CONTRACTUAL COMMITMENTS

At December 31, 2003, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Kirk Brothers	Clearwell/High Service Pump	\$ 199,263
E. T. Electric	Clearwell/High Service Pump	79,642
Edward Kelly and Sons	Newton Road/Haskins Road Reconstruction	187,755
J D R Excavating	North Main/Newton Road Reconstruction	421,600
Laibe Electric	BGSU Ice Arena	170,585
S. D. Myers	Transformer Repair	77,436
Feick Contractors	City Park Remodeling	42,759
Erie Blacktop	Street Resurfacing	18,653

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2003, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City's contribution rate for pension benefits for 2003 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$787,922, \$778,038, and \$804,509, respectively; 91 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2003, in the amount of \$73,645, is recorded as a liability. Contributions to the member-directed plan for 2003 were \$4,466 made by the City and \$2,801 made by plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OPF for the years ended December 31, 2003, 2002, and 2001 were \$740,487, \$689,989, and \$661,007, respectively; 76 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2003, in the amount of \$176,472, is recorded as a liability.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$463,385. The actual contribution and the actuarial required contribution amounts are the same. OPERS' net assets available for the payment of benefits at December 31, 2002 (the latest information available), was \$10 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. The Choices Plan will incorporate a cafeteria approach offering a broader range of health care options. The Choices Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Choices Plan will also offer a spending account feature enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by OPF is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from OPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll and for firefighters is 24 percent of covered payroll; 7.75 percent was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$178,169 for police and \$224,325 for firefighters. The OPF's total health care expense for the year ended December 31, 2002 (the latest information available), was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OPF participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

NOTE 17 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn vacation at varying rates depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with supervisory

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

approval. Employees are paid for 100 percent of earned unused vacation leave upon termination. Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit. Each employee, at the time of retirement from active service with the City, is paid for 25 percent of their earned unused sick leave, with no maximum.

NOTE 18 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2003, were as follows:

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Governmental Activities					
General Obligation Bond Anticipation Notes					
Special Revenue Fund					
2002 Real Estate Acquisition	2.25%	\$ 100,000	\$ -	\$ 100,000	\$ -
Capital Projects Funds					
2002 Research Park Drive	2.25%	410,000	-	410,000	-
2002 Municipal Court Construction	2.25%	3,710,000	-	3,710,000	-
2002 West Side Fire Station Construction	2.75%	700,000	-	700,000	-
2002 Central Business District Revitalization	2.10%	2,800,000	-	2,800,000	-
2002 Community Center Construction	2.00%	3,850,000	-	3,850,000	-
2002 Real Estate Acquisition		187,500	-	62,500	125,000
2003 Research Park Drive	1.50%	-	375,000	-	375,000
2003 Municipal Court Construction	1.50%	-	3,430,000	-	3,430,000
2003 West Side Fire Station Construction	1.10%	-	600,000	-	600,000
2003 Central Business District Revitalization	1.50%	-	5,150,000	2,575,000	2,575,000
2003 Community Center Construction	1.50%	-	3,850,000	-	3,850,000
2003 East Wooster Street Improvement	1.10%	-	1,380,000	-	1,380,000
<i>Total Governmental Activities</i>		<u>\$ 11,757,500</u>	<u>\$ 14,785,000</u>	<u>\$ 14,207,500</u>	<u>\$ 12,335,000</u>
Business-Type Activities					
General Obligation Bond Anticipation Notes					
Electric					
2002 Electric System Improvements	2.75%	\$ 875,000	\$ -	\$ 875,000	\$ -
2002 Electric System Improvements	1.65%	3,271,000	-	3,271,000	-
2002 Electric System Improvements	1.65%	3,750,000	-	3,750,000	-
2003 Electric System Improvements	1.10%	-	815,000	-	815,000
2003 Electric System Improvements	1.25%	-	2,896,000	-	2,896,000
2003 Electric System Improvements	1.25%	-	3,650,000	-	3,650,000
<i>Total Electric Fund</i>		<u>7,896,000</u>	<u>7,361,000</u>	<u>7,896,000</u>	<u>7,361,000</u>

(Continued)

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Business-Type Activities (Continued)					
Water					
2002 Water System Improvement	2.25%	150,000	-	150,000	-
2003 Water System Improvement	1.50%	-	100,000	-	100,000
2003 Wastewater Treatment Plant Improvement	1.10%	-	1,170,000	-	1,170,000
<i>Total Water Fund</i>		150,000	1,270,000	150,000	1,270,000
Sewer					
2002 Wastewater Treatment Plant Improvement	2.25%	1,130,000	-	1,130,000	-
2002 Sewerage System Improvement	2.75%	2,870,000	-	2,870,000	-
2002 Wastewater Treatment Plant Improvement	2.00%	300,000	-	300,000	-
2002 Real Estate Acquisition		187,500	-	62,500	125,000
2003 Wastewater Treatment Plant Improvement	1.50%	-	1,350,000	-	1,350,000
2003 Sewerage System Improvement	1.10%	-	2,780,000	-	2,780,000
<i>Total Sewer Fund</i>		4,487,500	4,130,000	4,362,500	4,255,000
<i>Total Business-Type Activities</i>		\$ 12,533,500	\$ 12,761,000	\$ 12,408,500	\$ 12,886,000

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

The bond anticipation notes in the capital projects funds, in the amount of \$375,000, \$3,430,000, \$600,000, \$2,575,000, and \$3,850,000 were issued to partially retire notes previously issued to pay the costs of constructing the southerly portion of Research Park Drive; to construct, furnish and equip a new municipal court facility and improve its site; to pay the costs of constructing, furnishing and equipping the West Side Fire Station; to pay the costs of the Central Business District Revitalization Project; and to construct, furnish and equip a new Community Center in cooperation with the State of Ohio. The bond anticipation notes, in the amount of \$1,380,000, were issued to pay the costs of improving East Wooster Street in cooperation with the Ohio Department of Transportation.

The bond anticipation notes in the Electric enterprise fund, in the amount of \$815,000, \$2,896,000, and \$3,650,000 were issued to partially retire notes previously issued to pay the costs of improving the City's electric system by constructing a new substation.

The bond anticipation notes in the Water enterprise fund, in the amount of \$100,000, were issued to partially retire notes previously issued to pay the costs of improving the City's water treatment plant. The bond anticipation notes, in the amount of \$1,170,000, were also issued to pay the costs of improving the City's water treatment plant.

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$1,350,000 and \$2,780,000 were issued to partially retire notes previously issued to improve the City's wastewater treatment plant by rehabilitating and renovating buildings and sites and by acquiring and installing necessary equipment, including ultraviolet disinfection equipment and computers; to pay the costs of improving the City's sanitary sewerage system by acquiring and installing a SCADA system at the wastewater treatment plant

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

and acquiring and installing fiber optic cable to monitor lift stations and other remote equipment; and acquiring real estate as a site for recycling biosolids.

As of December 31, 2003, the City had unspent note proceeds, in the amount of \$4,816,065; \$3,685,897 related to governmental activities and \$1,130,168 related to the Water enterprise fund.

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

Principal and interest requirements for the outstanding real estate notes are as follows:

Year	Real Estate Acquisition Note Payable	
	Enterprise Principal	Governmental Principal
2004	\$ 62,500	\$ 62,500
2005	62,500	62,500
<i>Total</i>	\$ 125,000	\$ 125,000

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2003, was as follows:

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Due Within One Year
Governmental Activities						
General Obligation Bonds						
2002 Aquatic Complex Improvement (Original Issue - \$90,000)	4.00%	\$ 90,000	\$ -	\$ 30,000	\$ 60,000	\$ 30,000
2003 Real Estate Acquisition (Original Issue - \$52,000)	3.00%	-	52,000	-	52,000	13,000
<i>Total General Obligation Bonds</i>		90,000	52,000	30,000	112,000	43,000

(Continued)

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Due Within One Year
Governmental Activities (Continued)						
Ohio Water Development Authority Loans						
1985 Water System (Original Issue - \$1,583,371)	8.97%	1,174,426	-	301,398	873,028	328,434
1988 Dunbridge Road Water (Original Issue - \$883,788)	8.31%	732,545	-	110,681	621,864	119,878
1988 Sludge Lagoon/Reservoir (Original Issue - \$730,039)	8.05%	383,855	-	252,625	131,230	131,230
1994 Second Water Transmission Main (Original Issue - \$3,644,348)	5.77%	3,469,595	-	125,505	3,344,090	132,748
1999 Granular Activated Carbon System (Original Issue - \$2,880,752)	5.50%	2,936,737	-	147,432	2,789,305	190,507
1999 Central Business District- Heritage 2000 (Original Issue - \$1,200,000)	3.00%	1,200,000	-	-	1,200,000	-
2001 Wintergarden Heights/ Sand Ridge Sewer	3.20%	450,223	-	121,374	328,849	-
2002 Clearwell and High Service Pump	3.95%	1,063,791	2,569,381	98,404	3,534,768	-
<i>Total Ohio Water Development Authority Loans</i>		<u>11,411,172</u>	<u>2,569,381</u>	<u>1,157,419</u>	<u>12,823,134</u>	<u>902,797</u>
Other Long-Term Obligations						
Compensated Absences Payable		1,088,673	56,865	66,949	1,078,589	504,966
<i>Total Governmental Activities</i>		<u>\$ 12,589,845</u>	<u>\$ 2,678,246</u>	<u>\$ 1,254,368</u>	<u>\$ 14,013,723</u>	<u>\$ 1,450,763</u>
Business-Type Activities						
Other Long-Term Obligations						
Compensated Absences Payable		\$ 983,155	\$ 177,844	\$ 63,013	\$ 1,097,986	\$ 246,821
Capital Leases Payable		77,490	138,154	50,199	165,445	46,061
AMP Ohio Payable		7,516,077	-	283,618	7,232,459	326,099
<i>Total Business-Type Activities</i>		<u>\$ 8,576,722</u>	<u>\$ 315,998</u>	<u>\$ 396,830</u>	<u>\$ 8,495,890</u>	<u>\$ 618,981</u>

2002 Aquatic Complex Improvement General Obligation Bonds - On June 13, 2002, the City issued \$90,000 in unvoted general obligation bonds to refund outstanding bond anticipation notes originally issued to pay for improvements to the Aquatics Complex at the City Park. The bonds were issued for a four year period with maturity beginning June 1, 2003. The bonds will be paid from the Pool Capital improvement capital projects fund. The bonds are not subject to optional redemption prior to maturity.

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

OWDA Loans Payable - The OWDA loans represent amounts borrowed from the Ohio Water Development Authority for construction of water and sewer system improvements. The intention is to

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

repay the loans with income tax revenues of the Sewer and Water Capital Improvement capital projects fund to the extent such resources are available.

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

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

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

The City's legal debt margin was \$33,631,836 at December 31, 2003.

The Wintergarden Heights/Sand Ridge sewer and Clearwell and High Service pump projects funded by OWDA loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2003, were as follows:

Year	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2004	\$ 43,000	\$ 4,337	\$ 902,797	\$ 520,300
2005	43,000	2,370	2,029,270	452,066
2006	13,000	780	688,182	353,783
2007	13,000	390	533,575	305,016
2008	-	-	482,022	270,791
2009 to 2013	-	-	2,382,753	952,426
2014 to 2018	-	-	1,633,054	336,786
2019 to 2020	-	-	307,864	17,837
<i>Total</i>	<u>\$ 112,000</u>	<u>\$ 7,877</u>	<u>\$ 8,959,517</u>	<u>\$ 3,209,005</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003, from the enterprise funds were as follows:

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

Year	AMP Ohio Payable Principal	Interest
2004	\$ 326,099	\$ 405,160
2005	339,800	391,300
2006	354,416	376,859
2007	369,031	362,682
2008	387,299	344,231
2009 to 2013	2,253,462	1,403,817
2014 to 2018	2,898,352	757,833
2019 to 2020	304,000	97,971
<i>Total</i>	<u>\$ 7,232,459</u>	<u>\$ 4,139,853</u>

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

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

	Date of Issue	Amount of Issue	Balance 12/31/2003
Industrial Revenue Bonds			
Lamson and Session Company	06/28/95	\$ 2,780,000	\$ 1,300,000
Multi-Family Housing Revenue Bonds			
Bowling Green Village Series 2001 A	06/01/01	3,320,000	3,260,000
Bowling Green Village Series 2001 B	06/01/01	500,000	500,000

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

NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for vehicles. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as a reduction of the liability in the enterprise funds. Principal payments in 2003 were \$50,199.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

	Business-Type Activities
Vehicles	\$ 288,754
Less Accumulated Depreciation	(49,370)
Carrying Value, December 31, 2003	\$ 239,384

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003.

Year	Business-Type Activities	
	Principal	Interest
2004	\$ 46,061	\$ 9,167
2005	48,766	6,462
2006	22,381	3,594
2007	23,520	2,455
2008	24,717	1,258
<i>Total</i>	\$ 165,445	\$ 22,936

NOTE 21 - INTERFUND TRANSFERS

During 2003, the General Fund made transfers to other governmental funds, in the amount of \$544,785 to subsidize activities in other funds. The Playground and Recreation special revenue fund made transfers, in the amount of \$57,950, to the General Fund to repay the Conneaut building purchase over a ten year period, and to other governmental funds, in the amount of \$33,480, as debt payments came due. Other governmental funds made transfers, in the amount of \$63,000 for transit operations, in the amount of \$26,000 to distribute parking fees, and in the amount of \$362,441 to fund specific capital projects.

NOTE 22 - INSURANCE POOL

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

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2003. Financial information may be obtained from Arthur J. Gallagher & Co., Crown Centre Building, 5005 Rockside Road, 10th Floor, Cleveland, Ohio 44131-2157.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

NOTE 23 - JOINT VENTURES

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

The City is a participant, with thirty-six other subdivisions within the State of Ohio, in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2) was created for that purpose. On dissolution of the joint venture, the net assets of JV2 will be shared by the participants on a percentage basis. The JV2 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit, on a monthly basis, those costs incurred from using electricity generated by the joint venture. In accordance with the joint venture agreement, the City remitted \$982,750 to the joint venture for 2003. The City's net investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's equity interest in JV2 was \$7,065,537 at December 31, 2003. Financial information for JV2 may be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219, or from the City's utility department.

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

The City is a participant, with forty-two other subdivisions within the State of Ohio, in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia (on the Ohio River at the Belleville Locks and Dam) and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit, on a monthly basis, those costs incurred from using electricity generated by the joint venture and a portion of the \$138,420,000 Certificates of Beneficial Interest debt that was issued to construct the capital asset. In accordance with the joint venture agreement, the City remitted \$2,826,689 to the joint venture for 2003. The City's net investment and its share of the operating results of JV5 are reported in the City's Electric enterprise fund. The City's equity interest in JV5 was \$1,241,659 at December 31, 2003. Financial information for JV5 may be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219, or from the City's utility department.

NOTE 24 - CONTINGENT LIABILITIES

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

For the period January 1, 2003, to December 31, 2003, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**City of Bowling Green
Wood County**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2003
(Continued)

NOTE 25 - SUBSEQUENT EVENTS

On January 1, 2004, AMP-Ohio refunded the certificates of beneficial interest related to Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5). As a result of the refunding, the rate paid by the participants on a monthly basis was reduced from \$21.40/KW per month to \$20.90/KW per month.

On April 20, 2004, the City issued \$17,960,000 in unvoted various improvement general obligation bonds to retire certain bond anticipation notes previously issued to pay the costs of a municipal court facility, a fire station, certain improvements to revitalize the central business district, a community center, electric system improvements, water system facilities, wastewater treatment facilities, street improvements, and sanitary sewage system facilities. The bonds have an interest rate ranging from 3 to 5 percent and mature on December 1, 2028.

On June 9, 2004, the City issued bond anticipation notes, in the amount of \$340,000, to partially retire notes previously issued to construct the southerly portion of Research Park Drive. The notes have an interest rate of 2 percent and mature on June 9, 2005.

The City is a participant in a joint venture to provide power and energy through environment friendly generation resources. The Windpower Project provides for the construction of wind-power generators. Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6) was created for that purpose. JV6 was formed on December 30, 2003; however, it did not commence operations until January 1, 2004.

Comparative Enterprise Fund Financial Statements

**City of Bowling Green
Wood County**

Comparative Balance Sheet
Enterprise Funds
December 31, 2003 and 2002

	Electric	
	2003	2002
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 4,021,101	\$ 3,744,230
Accounts Receivable	2,015,056	2,193,926
Accrued Interest Receivable	531	-
Interfund Receivable	36,813	12,541
Prepaid Items	26,674	24,148
Materials and Supplies Inventory	821,871	853,419
<i>Total Current Assets</i>	<u>6,922,046</u>	<u>6,828,264</u>
Non-Current Assets		
Restricted Assets		
Equity in Pooled Cash and Cash Equivalents	-	-
Cash and Cash Equivalents with Escrow Agents	-	2,662
Nondepreciable Capital Assets	448,458	1,467,542
Depreciable Capital Assets, Net	17,250,844	15,894,738
Investment in Joint Venture	8,307,196	8,573,074
<i>Total Non-Current Assets</i>	<u>26,006,498</u>	<u>25,938,016</u>
<i>Total Assets</i>	<u>32,928,544</u>	<u>32,766,280</u>
Current Liabilities		
Accrued Wages Payable	66,255	52,572
Accounts Payable	1,982,464	2,398,428
Due to Other Governments	73,751	91,645
Interfund Payable	3,713	120,191
Accrued Interest Payable	11,256	21,820
Notes Payable	7,361,000	7,896,000
Liabilities Payable from Restricted Assets		
Retainage Payable	-	2,662
Compensated Absences Payable	132,556	-
Capital Leases Payable	-	-
AMP Ohio Payable	326,099	283,618
<i>Total Current Liabilities</i>	<u>9,957,094</u>	<u>10,866,936</u>
Non-Current Liabilities		
Compensated Absences Payable	417,712	441,534
Capital Leases Payable	-	-
AMP Ohio Payable	6,906,360	7,232,459
<i>Total Non-Current Liabilities</i>	<u>7,324,072</u>	<u>7,673,993</u>
<i>Total Liabilities</i>	<u>17,281,166</u>	<u>18,540,929</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt Restricted For	10,338,302	9,466,280
Water Treatment Plant Improvement	-	-
Unrestricted	5,309,076	4,759,071
<i>Total Net Assets</i>	<u>\$ 15,647,378</u>	<u>\$ 14,225,351</u>

Water		Sewer		Totals	
2003	2002	2003	2002	2003	2002
\$ 3,749,412	\$ 3,555,631	\$ 2,964,736	\$ 2,903,264	\$ 10,735,249	\$ 10,203,125
310,627	310,010	301,046	315,269	2,626,729	2,819,205
704	-	-	-	1,235	-
13,037	23,435	12,812	12,557	62,662	48,533
25,005	22,576	25,872	23,313	77,551	70,037
149,184	135,206	23,724	21,416	994,779	1,010,041
<u>4,247,969</u>	<u>4,046,858</u>	<u>3,328,190</u>	<u>3,275,819</u>	<u>14,498,205</u>	<u>14,150,941</u>
1,130,168	-	-	-	1,130,168	-
-	-	-	-	-	2,662
293,025	286,526	1,829,366	1,565,075	2,570,849	3,319,143
26,417,159	23,975,228	35,144,657	30,770,474	78,812,660	70,640,440
-	-	-	-	8,307,196	8,573,074
<u>27,840,352</u>	<u>24,261,754</u>	<u>36,974,023</u>	<u>32,335,549</u>	<u>90,820,873</u>	<u>82,535,319</u>
<u>32,088,321</u>	<u>28,308,612</u>	<u>40,302,213</u>	<u>35,611,368</u>	<u>105,319,078</u>	<u>96,686,260</u>
34,455	33,536	37,657	53,301	138,367	139,409
112,222	87,827	77,212	346,935	2,171,898	2,833,190
38,417	53,230	44,577	48,992	156,745	193,867
3,749	3,328	15,112	22,338	22,574	145,857
7,608	1,082	23,470	51,613	42,334	74,515
1,270,000	150,000	4,255,000	4,300,000	12,886,000	12,346,000
-	-	-	-	-	2,662
52,963	-	61,302	31,581	246,821	31,581
-	-	46,061	24,224	46,061	24,224
-	-	-	-	326,099	283,618
<u>1,519,414</u>	<u>329,003</u>	<u>4,560,391</u>	<u>4,878,984</u>	<u>16,036,899</u>	<u>16,074,923</u>
199,849	294,740	233,604	215,300	851,165	951,574
-	-	119,384	53,266	119,384	53,266
-	-	-	-	6,906,360	7,232,459
<u>199,849</u>	<u>294,740</u>	<u>352,988</u>	<u>268,566</u>	<u>7,876,909</u>	<u>8,237,299</u>
<u>1,719,263</u>	<u>623,743</u>	<u>4,913,379</u>	<u>5,147,550</u>	<u>23,913,808</u>	<u>24,312,222</u>
26,570,352	24,111,754	32,553,578	27,958,059	69,462,232	61,536,093
1,130,168	-	-	-	1,130,168	-
2,668,538	3,573,115	2,835,256	2,505,759	10,812,870	10,837,945
<u>\$ 30,369,058</u>	<u>\$ 27,684,869</u>	<u>\$ 35,388,834</u>	<u>\$ 30,463,818</u>	<u>\$ 81,405,270</u>	<u>\$ 72,374,038</u>

**City of Bowling Green
Wood County**

Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2003 and 2002

	Electric	
	2003	2002
Increases (Decreases) in Cash and Cash Equivalents		
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 23,830,809	\$ 24,415,522
Cash Payments for Purchased Power	(19,459,350)	(20,146,749)
Cash Payments for Plant Operation	-	-
Cash Payments for Plant Maintenance	-	-
Cash Payments for Distribution Operation	(1,356,000)	(733,031)
Cash Payments for Distribution Maintenance	(1,243,023)	(1,327,458)
Cash Payments for Customer Account Collection	(260,989)	(238,546)
Cash Payments for Administrative and General	(1,317,442)	(1,020,994)
Cash Received from Other Revenues	1,048,472	733,606
Cash Payments for Other Expenses	-	-
	<u>1,242,477</u>	<u>1,682,350</u>
<u>Net Cash Provided by Operating Activities</u>		
<u>Cash Flows from Non-Capital Financing Activities</u>		
Cash Received from Other Local Taxes	1,572,477	1,552,365
Cash Payments for Contributions	(1,572,477)	(1,545,504)
Cash Received from Grants	-	10,001
	<u>-</u>	<u>16,862</u>
<u>Net Cash Provided by Noncapital Financing Activities</u>		
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Paid on Bond Anticipation Notes	(7,896,000)	(8,366,500)
Principal Paid on Capital Leases	-	-
Interest Paid on Bond Anticipation Notes	(139,842)	(199,281)
Interest Paid on Capital Leases	-	-
Proceeds of Notes	7,361,000	7,896,000
Acquisition of fixed Capital Assets	(328,965)	(1,695,556)
	<u>(1,003,807)</u>	<u>(2,365,337)</u>
<u>Net Cash Provided by (Used for) Capital and Related Financing Activities</u>		
<u>Cash Flows from Investing Activities</u>		
Interest	35,539	56,472
	<u>274,209</u>	<u>(609,653)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash and Cash Equivalents at Beginning of Year	3,746,892	4,356,545
	<u>\$ 4,021,101</u>	<u>\$ 3,746,892</u>
<u>Cash and Cash Equivalents at End of Year</u>		

Water		Sewer		Totals	
2003	2002	2003	2002	2003	2002
\$ 3,029,437	\$ 3,211,781	\$ 3,170,768	\$ 3,238,619	\$ 30,031,014	\$ 30,865,922
-	-	-	-	(19,459,350)	(20,146,749)
(802,759)	(742,934)	(835,578)	(529,033)	(1,638,337)	(1,271,967)
(362,591)	(328,155)	(446,652)	(431,573)	(809,243)	(759,728)
(437,029)	(434,305)	(148,474)	(223,380)	(1,941,503)	(1,390,716)
(424,566)	(443,558)	(356,031)	(393,298)	(2,023,620)	(2,164,314)
(79,135)	(77,913)	(79,178)	(77,890)	(419,302)	(394,349)
(718,104)	(645,276)	(995,422)	(939,876)	(3,030,968)	(2,606,146)
33,428	53,475	342,459	358,253	1,424,359	1,145,334
-	-	-	-	-	-
<u>238,681</u>	<u>593,115</u>	<u>651,892</u>	<u>1,001,822</u>	<u>2,133,050</u>	<u>3,277,287</u>
-	-	-	-	1,572,477	1,552,365
-	-	-	-	(1,572,477)	(1,545,504)
-	-	-	-	-	10,001
-	-	-	-	-	16,862
(150,000)	(250,000)	(4,362,500)	(4,125,000)	(12,408,500)	(12,741,500)
-	-	(50,199)	(22,748)	(50,199)	(22,748)
(3,366)	(6,545)	(108,310)	(126,336)	(251,518)	(332,162)
-	-	(5,029)	(6,506)	(5,029)	(6,506)
1,270,000	150,000	4,130,000	4,300,000	12,761,000	12,346,000
(72,886)	(67,041)	(222,252)	(900,738)	(624,103)	(2,663,335)
<u>1,043,748</u>	<u>(173,586)</u>	<u>(618,290)</u>	<u>(881,328)</u>	<u>(578,349)</u>	<u>(3,420,251)</u>
<u>41,520</u>	<u>52,248</u>	<u>27,870</u>	<u>39,457</u>	<u>104,929</u>	<u>148,177</u>
1,323,949	471,777	61,472	159,951	1,659,630	22,075
<u>3,555,631</u>	<u>3,083,854</u>	<u>2,903,264</u>	<u>2,743,313</u>	<u>10,205,787</u>	<u>10,183,712</u>
<u>\$ 4,879,580</u>	<u>\$ 3,555,631</u>	<u>\$ 2,964,736</u>	<u>\$ 2,903,264</u>	<u>\$ 11,865,417</u>	<u>\$ 10,205,787</u>

(Continued)

**City of Bowling Green
Wood County**

Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2003 and 2002
(Continued)

	Electric	
	2003	2002
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 443,563	\$ 1,045,103
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>		
Depreciation	1,045,875	1,006,874
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	178,870	21,064
(Increase) Decrease in Interfund Receivable	(24,272)	440
Increase in Prepaid Items	(2,526)	(7,702)
(Increase) Decrease in Materials and Supplies Inventory	31,548	5,863
Increase (Decrease) in Accrued Wages Payable	13,683	5,440
Increase (Decrease) in Accounts Payable	(415,964)	(410,332)
Increase (Decrease) in Retainage Payable	(2,662)	22
Increase (Decrease) in Due to Other Governments	(17,894)	12,728
Increase (Decrease) in Interfund Payable	(116,478)	(387)
Increase (Decrease) in Compensated Absences Payable	108,734	3,237
	<u>\$ 1,242,477</u>	<u>\$ 1,682,350</u>

Water		Sewer		Totals	
2003	2002	2003	2002	2003	2002
\$ (742,068)	\$ (572,215)	\$ (995,891)	\$ (777,241)	\$ (1,294,396)	\$ (304,353)
1,018,381	1,093,682	1,700,165	1,999,296	3,764,421	4,099,852
(617)	17,494	14,223	13,301	192,476	51,859
10,398	(14,957)	(255)	17,096	(14,129)	2,579
(2,429)	(7,371)	(2,559)	(7,666)	(7,514)	(22,739)
(13,978)	(8,552)	(2,308)	6,933	15,262	4,244
919	5,279	(15,644)	25,189	(1,042)	35,908
24,395	27,230	(82,223)	(264,424)	(473,792)	(647,526)
-	-	-	(17,131)	(2,662)	(17,109)
(14,813)	9,343	(4,415)	4,977	(37,122)	27,048
421	(843)	(7,226)	6,875	(123,283)	5,645
(41,928)	44,025	48,025	(5,383)	114,831	41,879
<u>\$ 238,681</u>	<u>\$ 593,115</u>	<u>\$ 651,892</u>	<u>\$ 1,001,822</u>	<u>\$ 2,133,050</u>	<u>\$ 3,277,287</u>

This page intentionally left blank.

**City of Bowling Green
Wood County**

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2003

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF JUSTICE			
Local Law Enforcement Block Grants Program	2001-LB-BX-0124	16.592	\$ 1,499
	2001-LB-BX-2220		<u>10,914</u>
Total U.S. Department of Justice			<u>12,413</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant/Entitlement Grants	B-01-MC-39-0025	14.218	195,210
	B-02-MC-39-0025		<u>287,019</u>
			482,229
<i>Passed Through Ohio Department of Development</i> HOME Investment Partnerships Program	A-C-01-093-2	14.239	<u>115,323</u>
Total U.S. Department of Housing and Urban Development			<u>597,552</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through Ohio Department of Transportation</i> Formula Grants for Other than Urbanized Areas	RPT-4087-016-991	20.509	<u>145,005</u>
Total U.S. Department of Transportation			<u>145,005</u>
U.S. DEPARTMENT OF ENERGY			
<i>Passed through Ohio Department of Development</i> State Energy Program	03-21	81.041	<u>5,062</u>
Total U.S. Department of Energy			<u>5,062</u>
Total Federal Awards Expenditures			<u>\$ 760,032</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**City of Bowling Green
Wood County**

Notes to the Schedule of Federal Awards Expenditures
Fiscal Year Ended December 31, 2003

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property, business assets including equipment, inventory and receivables, and personal assets. At December 31, 2003, the gross amount of loans outstanding under this program was \$459,230. Uncollectible balances written off totaled \$4,850. Delinquent amounts due are \$5,080.

A new program was established in 2001 to assist downtown businesses who had experienced business interruption during the downtown revitalization program. These loans were granted for a maximum amount of \$10,000, for a period of 36 months at an interest rate of 3%. Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD and are collateralized, but are not included as disbursements on the Schedule. At December 31, 2003, the gross amount of loans outstanding under this program was \$74,200.

NOTE C - DOWN PAYMENT ASSISTANCE (HOME) LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2003, the gross amount of loans outstanding under this program was \$244,493.

NOTE D - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 10, 2005 wherein we noted the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and the City changed its capital asset threshold policy. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the City's management in a separate letter dated February 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively

low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the City's management in a separate letter dated February 10, 2005.

This report is intended for the information and use of the audit committee, management, City Council, 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.

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

Betty Montgomery
Auditor of State

February 10, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

Compliance

We have audited the compliance of City of Bowling Green, Wood County, 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 December 31, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City'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 City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

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

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

This report is intended for the information and use of the audit committee, management, City Council, 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.

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

Betty Montgomery
Auditor of State

February 10, 2005

**City of Bowling Green
Wood County**

Schedule of Findings
OMB Circular A -133 § .505
December 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant/Entitlement Grants, CFDA #14.218
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None,

This Page is Intentionally Left Blank.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF BOWLING GREEN

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED

MARCH 8, 2005