



**Mary Taylor, CPA**  
Auditor of State



**CITY OF BOWLING GREEN  
WOOD COUNTY**

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Playground and Recreation funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 8, 2007

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED**

The discussion and analysis of the City of Bowling Green's financial performance provides an overview of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

**HIGHLIGHTS**

Highlights for 2006 are as follows:

- In total, the City's net assets increased \$8,429,299, or almost a 7 percent increase. Governmental activities experienced an increase in net assets of over \$2.9 million (7 percent) for 2006. Business-type activities experienced an increase in net assets of over \$5.4 million (6.5 percent).
- A review of the enterprise funds reflects operating income for the Electric and Water funds, and an operating loss for the Sewer fund. All three funds continue to reflect positive net assets at year end. The City increased both water and sewer rates 10 percent in 2005. The City increased electric rates 5 percent in October 2005 and again in January 2006.
- One important aspect to consider with the Water and Sewer funds is that governmental funds finance a significant portion of water and sewer infrastructure improvements through a portion of the City's income tax. 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 annually 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, 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 2006. 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, 2006  
UNAUDITED  
(CONTINUED)**

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

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

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

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

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

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

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

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

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



**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(CONTINUED)**

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 presents a summary of the City's net assets for 2006 and 2005.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<u>Assets</u>						
Current and Other Assets	\$29,815,166	\$27,759,301	\$18,987,176	\$19,437,805	\$48,802,342	\$47,197,106
Investment in Joint Venture			12,703,747	12,833,349	12,703,747	12,833,349
Capital Assets, Net	46,069,848	46,812,788	84,887,484	84,245,621	130,957,332	131,058,409
Total Assets	<u>75,885,014</u>	<u>74,572,089</u>	<u>116,578,407</u>	<u>116,516,775</u>	<u>192,463,421</u>	<u>191,088,864</u>
<u>Liabilities</u>						
Current and Other Liabilities	4,521,465	4,645,415	7,870,689	12,464,306	12,392,154	17,109,721
Long-Term Liabilities	26,248,994	27,754,124	18,807,245	19,639,290	45,056,239	47,393,414
Total Liabilities	<u>30,770,459</u>	<u>32,399,539</u>	<u>26,677,934</u>	<u>32,103,596</u>	<u>57,448,393</u>	<u>64,503,135</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	35,450,362	35,232,392	74,167,262	72,860,031	109,617,624	108,092,423
Restricted	16,514,703	15,513,517			16,514,703	15,513,517
Unrestricted (Deficit)	(6,850,510)	(8,573,359)	15,733,211	11,553,148	8,882,701	2,979,789
Total Net Assets	<u>\$45,114,555</u>	<u>\$42,172,550</u>	<u>\$89,900,473</u>	<u>\$84,413,179</u>	<u>\$135,015,028</u>	<u>\$126,585,729</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(CONTINUED)**

As mentioned previously, the City's net assets for governmental activities increased over \$2.9 million in 2006 (or 7 percent). Worth noting is the \$2+ million increase in current and other assets. Cash and cash equivalents increased over \$1 million, primarily due to capital projects related activities. The City received similar revenues to the prior year in the capital projects funds but expenses decreased substantially due to a reduction in the number and cost of projects; therefore, there was more unspent cash as of year end. In addition, there was an increase of over \$1 million in receivables due from other governments. This is the result of a receivable of almost \$786,000 in estate taxes and \$500,000 due from the Ohio Department of Development.

Business-type activities reflect an increase in net assets of over \$5.4 million (or 6.5 percent). Note the almost 37 percent decrease in current and other liabilities. At the end of 2005, the City owed over \$3 million to AMP-Ohio for the cost of wholesale electricity. Payments were delayed beyond the end of the year due to cash flow issues.

Table 2 reflects the change in net assets for 2006 and 2005.

Table 2  
Change in Net Asset

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,274,049	\$3,330,962	\$44,419,778	\$40,654,366	\$47,693,827	\$43,985,328
Operating Grants, Contributions, and Interest	2,485,958	2,170,996	8,136		2,494,094	2,170,996
Capital Grants, Contributions, and Interest	1,196,330	2,856,488	1,197,392	951,960	2,393,722	3,808,448
Total Program Revenues	<u>6,956,337</u>	<u>8,358,446</u>	<u>45,625,306</u>	<u>41,606,326</u>	<u>52,581,643</u>	<u>49,964,772</u>
General Revenues						
Property Taxes-General Purposes	1,677,370	1,460,596			1,677,370	1,460,596
Property Taxes-Playground and Recreation	573,457	536,385			573,457	536,385
Municipal Income Taxes	14,661,003	14,145,773			14,661,003	14,145,773
Other Local Taxes	2,036,837	2,042,941			2,036,837	2,042,941
Grants and Entitlements not Restricted to Specific Programs	2,609,109	2,324,121			2,609,109	2,324,121
Franchise Fees	271,661	259,862			271,661	259,862
Interest	872,938	557,585	596,112	294,226	1,469,050	851,811
Other	739,592	446,487	1,466,928	1,097,831	2,206,520	1,544,318
Total General Revenues	<u>23,441,967</u>	<u>21,773,750</u>	<u>2,063,040</u>	<u>1,392,057</u>	<u>25,505,007</u>	<u>23,165,807</u>
Total Revenues	<u>30,398,304</u>	<u>30,132,196</u>	<u>47,688,346</u>	<u>42,998,383</u>	<u>78,086,650</u>	<u>73,130,579</u>

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(CONTINUED)**

Table 2  
Change in Net Asset  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$5,047,361	\$4,931,645			\$5,047,361	\$4,931,645
Fire	5,336,143	4,828,269			5,336,143	4,828,269
Ambulance	201,892	218,321			201,892	218,321
Public Health	62,853	58,762			62,853	58,762
Leisure Time Activities	1,726,256	1,487,192			1,726,256	1,487,192
Community Environment	995,507	981,679			995,507	981,679
Basic Utility Services	623,465	567,207			623,465	567,207
Transportation	5,681,138	5,997,788			5,681,138	5,997,788
General Government						
Court	1,634,187	1,515,207			1,634,187	1,515,207
Other	3,740,419	2,939,860			3,740,419	2,939,860
Internal Service Fund External Portion	41,719	39,944			41,719	39,944
Interest and Fiscal Charges	1,034,736	1,102,011			1,034,736	1,102,011
Electric			\$34,964,720	\$35,529,950	34,964,720	35,529,950
Water			3,348,019	4,324,339	3,348,019	4,324,339
Sewer			5,218,936	3,852,401	5,218,936	3,852,401
<b>Total Expenses</b>	<u>26,125,676</u>	<u>24,667,885</u>	<u>43,531,675</u>	<u>43,706,690</u>	<u>69,657,351</u>	<u>68,374,575</u>
Increase (Decrease) in Net Assets Before Transfers	4,272,628	5,464,311	4,156,671	(708,307)	8,429,299	4,756,004
Transfers	(1,330,623)	(3,251,638)	1,330,623	3,251,638		
<b>Increase in Net Assets</b>	<u>2,942,005</u>	<u>2,212,673</u>	<u>5,487,294</u>	<u>2,543,331</u>	<u>8,429,299</u>	<u>4,756,004</u>
Net Assets Beginning of Year	42,172,550	39,959,877	84,413,179	81,869,848	126,585,729	121,829,725
<b>Net Assets End of Year</b>	<u>\$45,114,555</u>	<u>\$42,172,550</u>	<u>\$89,900,473</u>	<u>\$84,413,179</u>	<u>\$135,015,028</u>	<u>\$126,585,729</u>

Program revenues represent approximately 23 percent of total revenues for governmental activities. This is a 6 percent decrease in program revenues from the prior year. This decrease is primarily reflected in capital grants and contributions and is mostly related to the transportation program. This is due to fewer developer contributions of streets in 2006. While program revenues provide considerable assistance in the provision of governmental services, the burden of governmental support is provided by general revenues such as property taxes, municipal income taxes, and unrestricted grants and entitlements. General revenues increased 7.7 percent from the prior year, much of this increase in unrestricted grants and entitlements is due to the increase in estate taxes mentioned earlier. By far, the City's largest revenue source is municipal income taxes which provides 63 percent of general revenues and 48 percent of total revenues overall. Although there were some fluctuations in program revenues and general revenues, overall revenues increased less than 1 percent from 2005.

Not surprisingly, the largest governmental activities expenses are related to the police and fire departments, combining for 40 percent of overall expenses. Expenses for all of the City's programs were fairly comparable to 2005.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(CONTINUED)**

As expected, program revenues make up a significant portion of the total revenues for business-type activities. Charges for services increased over \$3.7 million. This can be attributed to rate increases for electric as well as an increase in the power cost adjustment, a mechanism by which the City recovers the cost of purchasing wholesale electricity.

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Security of Persons and Property				
Police	\$5,047,361	\$4,931,645	\$4,583,482	\$4,594,263
Fire	5,336,143	4,828,269	5,331,424	4,821,834
Ambulance	201,892	218,321	(37,741)	(49,831)
Public Health	62,853	58,762	17,752	23,943
Leisure Time Activities	1,726,256	1,487,192	1,061,432	(10,617)
Community Environment	995,507	981,679	461,250	466,104
Basic Utility Services	623,465	567,207	411,655	552,247
Transportation	5,681,138	5,997,788	2,723,696	2,401,203
General Government				
Court	1,634,187	1,515,207	105,684	(35,242)
Other	3,740,419	2,939,860	3,477,674	2,486,489
Internal Service Fund External Portion	41,719	39,944	(1,705)	(42,965)
Interest and Fiscal Charges	1,034,736	1,102,011	1,034,736	1,102,011
Total Expenses	<u>\$26,125,676</u>	<u>\$24,667,885</u>	<u>\$19,169,339</u>	<u>\$16,309,439</u>

While overall general revenues provided for over 73 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, almost 91 percent of police, over 99 percent of fire, and almost 93 percent of general government-other activities must be provided for through general revenues. However, several programs are able to utilize program revenues to offset the costs of providing the service. For 2006, billing for ambulance services exceeded the costs of providing this service (excludes the base personnel costs included with the fire department). The leisure time activities program costs are supported by admission and sports fees, rentals, and concessions charges. The transportation program receives charges for services in the form of permissive motor vehicle license fees and operating grants in the form of State levied motor vehicle and gas taxes. The reason for the large change in the net cost of services for this program was due to fewer developer contributions in 2006.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(CONTINUED)**

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The City's major governmental funds are the General Fund, the Playground and Recreation special revenue fund, and the Sewer and Water Improvement capital projects fund. For 2006, the General Fund had an almost 7 percent increase in fund balance, which is not that significant. In general, most revenue sources increased in the General Fund and overall revenues increased \$1.9 million. While most expenditures also increased slightly, the overall increase in expenditures was just \$985,000; therefore, the improvement in fund balance.

The Playground and Recreation fund had a significant improvement in its fund balance, 60 percent. As with the General Fund, most revenue sources increased slightly with an overall increase of 23 percent. Expenditures only increased 6.5 percent.

Fund balance in the Sewer and Water Improvement fund increased almost 12 percent. Revenues remained about the same as in 2005; however, expenditures decreased substantially (47 percent). There were fewer capital outlay projects in 2006.

**BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS**

The City's enterprise funds are the Electric, Water, and Sewer funds. A review of the statement of revenues, expenses, and change in fund net assets reveals an operating income for the electric and water funds, while the sewer fund had an operating loss. When considering the Water and Sewer funds, the one-half percent income tax that contributes to various water and sewer improvements must also be taken into account. During 2006, these contributions were \$22,793 in the Water fund and \$1,307,830 in the Sewer fund.

Both the Water and Sewer funds had insignificant increases in net assets, both just over 2 percent.

During 2006, the Electric fund realized a 28 percent increase in net assets. Operating revenues increased over \$4.6 million, largely due to revenues realized from the rate increases. Expenses actually decreased from 2005, much of this due to a decrease in the cost of purchased power.

**BUDGETARY HIGHLIGHTS**

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

The City's most significant budgeted fund is the General Fund. For revenues, modifications from the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, modifications from the original budget to the final budget have been minimal as departments keep within their budgets. With the exception of general government-other, changes from the final budget to actual expenditures were not significant. The substantial decrease in the general government-other expenditures are the result of projects not progressing as planned.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
UNAUDITED  
(CONTINUED)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2006, was \$35,450,362 and \$74,167,262, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; buildings; equipment; vehicles; streets; and electric, water, and sewer lines. Additions to governmental capital assets consisted primarily of street improvements. Disposals were minimal. The most significant change for business-type activities was the addition of electric, water, and sewer lines. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2006, the City had \$10,760,000 in outstanding general obligation bonds and \$13,865,724 in OWDA loans payable from governmental activities. Business-type activities had \$4,916,000 in bond anticipation notes and \$5,455,000 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$12,080,750, as part of the City's agreement as a participant in the Ohio Municipal Electric Generation Agency Joint Ventures 2 and 6, to pay debt issued by AMP-Ohio to acquire capital assets for the joint ventures.

As well as the debt outlined above, the City's long-term obligations also include compensated absences and capital leases. For further information regarding the City's debt, refer to Notes 18, 19, and 20 to the basic financial statements.

**CURRENT ISSUES**

In 2007, the City's long-time finance director retired and a new finance director was hired at the end of July.

The City added several capital reserve funds during 2007 for equipment, facilities, and roadways. The purpose of these funds is to set aside General Fund resources in anticipation of large capital purchases.

The utility department has begun preliminary plans for designing and constructing a new hydraulically designed water intake at the current Maumee River location. This project will begin in 2007 and extend into 2008. The total project cost is anticipated at \$4.5 million and will be paid from the Water and Sewer Improvement capital projects fund through a combination of cash on hand and a loan from either the Ohio Water Development Authority or the Ohio EPA Water Supply Revolving Loan Account.

**REQUEST FOR INFORMATION**

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Net Assets  
December 31, 2006**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$19,029,074	\$11,839,569	\$30,868,643
Cash and Cash Equivalents in Segregated Accounts	1,560		1,560
Cash and Cash Equivalents with Fiscal Agents		1,432,276	1,432,276
Cash and Cash Equivalents with Escrow Agents	34,162	15,146	49,308
Accounts Receivable	488,913	4,345,213	4,834,126
Accrued Interest Receivable	195,459	75,539	270,998
Due from Other Governments	2,648,128	3,745	2,651,873
Municipal Income Taxes Receivable	3,585,193		3,585,193
Other Local Taxes Receivable	38,717	127,172	165,889
Internal Balances	28,742	(28,742)	
Prepaid Items	80,648	88,531	169,179
Materials and Supplies Inventory		1,014,163	1,014,163
Property Taxes Receivable	2,406,296		2,406,296
Notes Receivable	496,875		496,875
Special Assessments Receivable	640,885		640,885
Unamortized Bond Issuance Cost	140,514	74,564	215,078
Nondepreciable Capital Assets	4,136,933	2,099,328	6,236,261
Depreciable Capital Assets, Net	41,932,915	82,788,156	124,721,071
Investment in Joint Venture		12,703,747	12,703,747
<b>Total Assets</b>	<b>75,885,014</b>	<b>116,578,407</b>	<b>192,463,421</b>
<u>Liabilities</u>			
Accrued Wages Payable	509,259	180,955	690,214
Accounts Payable	471,519	2,535,408	3,006,927
Contracts Payable	290,592		290,592
Due to Other Governments	755,732	195,951	951,683
Matured Compensated Absences Payable	34,570		34,570
Accrued Interest Payable	28,429	27,229	55,658
Notes Payable		4,916,000	4,916,000
Deferred Revenue	2,354,839		2,354,839
Retainage Payable	76,525	15,146	91,671
Long-Term Liabilities			
Due Within One Year	1,791,836	1,384,296	3,176,132
Due in More Than One Year	24,457,158	17,422,949	41,880,107
<b>Total Liabilities</b>	<b>30,770,459</b>	<b>26,677,934</b>	<b>57,448,393</b>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	35,450,362	74,167,262	109,617,624
Restricted for			
Debt Service	664,483		664,483
Capital Projects	10,286,669		10,286,669
Street Maintenance and Repair	898,454		898,454
Community Development	1,129,925		1,129,925
Police Levy	1,372,938		1,372,938
Fire Levy	1,417,713		1,417,713
Other Purposes	744,521		744,521
Unrestricted (Deficit)	(6,850,510)	15,733,211	8,882,701
<b>Total Net Assets</b>	<b>\$45,114,555</b>	<b>\$89,900,473</b>	<b>\$135,015,028</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Activities  
For the Year Ended December 31, 2006**

	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities</u>			
Security of Persons and Property			
Police	\$5,047,361	\$202,660	\$261,219
Fire	5,336,143	4,719	
Ambulance	201,892	239,633	
Public Health	62,853	44,692	409
Leisure Time Activities	1,726,256	582,012	82,812
Community Environment	995,507	35,411	498,846
Basic Utility Services	623,465	31,655	\$180,155
Transportation	5,681,138	589,324	1,412,988
General Government			
Court	1,634,187	1,295,136	217,076
Other	3,740,419	205,383	12,608
Internal Service Fund			
External Portion	41,719	43,424	
Interest and Fiscal Charges	1,034,736		
<b>Total Governmental Activities</b>	<b>26,125,676</b>	<b>3,274,049</b>	<b>2,485,958</b>
			<b>1,196,330</b>
<u>Business-Type Activities</u>			
Electric	34,964,720	37,409,205	8,136
Water	3,348,019	3,483,431	
Sewer	5,218,936	3,527,142	
<b>Total Business-Type Activities</b>	<b>43,531,675</b>	<b>44,419,778</b>	<b>8,136</b>
			<b>1,197,392</b>
<b>Total</b>	<b>\$69,657,351</b>	<b>\$47,693,827</b>	<b>\$2,494,094</b>
			<b>\$2,393,722</b>

General Revenues

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements



Net (Expense) Revenue  
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$4,583,482)		(\$4,583,482)
(5,331,424)		(5,331,424)
37,741		37,741
(17,752)		(17,752)
(1,061,432)		(1,061,432)
(461,250)		(461,250)
(411,655)		(411,655)
(2,723,696)		(2,723,696)
(105,684)		(105,684)
(3,477,674)		(3,477,674)
1,705		1,705
(1,034,736)		(1,034,736)
(19,169,339)		(19,169,339)
	\$2,452,621	2,452,621
	434,399	434,399
	(793,389)	(793,389)
	2,093,631	2,093,631
(19,169,339)	2,093,631	(17,075,708)
1,677,370		1,677,370
573,457		573,457
14,661,003		14,661,003
2,036,837		2,036,837
2,609,109		2,609,109
271,661		271,661
872,938	596,112	1,469,050
739,592	1,466,928	2,206,520
23,441,967	2,063,040	25,505,007
(1,330,623)	1,330,623	
22,111,344	3,393,663	25,505,007
2,942,005	5,487,294	8,429,299
42,172,550	84,413,179	126,585,729
\$45,114,555	\$89,900,473	\$135,015,028

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Balance Sheet  
Governmental Funds  
December 31, 2006**

	General	Playground and Recreation	Sewer and Water Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$5,003,675	\$288,017	\$5,509,456	\$8,062,715	\$18,863,863
Cash and Cash Equivalents in Segregated Accounts				1,560	1,560
Accounts Receivable	487,042			1,304	488,346
Accrued Interest Receivable	195,459				195,459
Due from Other Governments	1,661,541	26,356	180,155	779,606	2,647,658
Municipal Income Taxes Receivable	1,400,377	93,265	933,489	1,158,062	3,585,193
Other Local Taxes Receivable	26,157			12,560	38,717
Interfund Receivable	482,437				482,437
Prepaid Items	79,243	1,405			80,648
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	27,898				27,898
Cash and Cash Equivalents with Escrow Agents			34,162		34,162
Property Taxes Receivable	1,792,387	613,909			2,406,296
Notes Receivable				496,875	496,875
Special Assessments Receivable				640,885	640,885
<b>Total Assets</b>	<b>\$11,156,216</b>	<b>\$1,022,952</b>	<b>\$6,657,262</b>	<b>\$11,153,567</b>	<b>\$29,989,997</b>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$350,470	\$25,463		\$123,833	\$499,766
Accounts Payable	307,809	13,927	\$56,846	92,065	470,647
Contracts Payable			92,720	197,872	290,592
Due to Other Governments	487,569	29,797		227,550	744,916
Matured Compensated Absences Payable	34,570				34,570
Interfund Payable	111,767	352,785	16,390	52,872	533,814
Deferred Revenue	4,087,858	695,390	731,904	2,017,673	7,532,825
Retainage Payable			22,163	20,200	42,363
Payable from Restricted Assets					
Retainage Payable			34,162		34,162
<b>Total Liabilities</b>	<b>5,380,043</b>	<b>1,117,362</b>	<b>954,185</b>	<b>2,732,065</b>	<b>10,183,655</b>
<u>Fund Balance</u>					
Reserved for Interfund Receivable	289,750				289,750
Reserved for Unclaimed Monies	27,898				27,898
Reserved for Notes Receivable				337,959	337,959
Reserved for Encumbrances	270,875	28,659	461,505	1,301,589	2,062,628
Unreserved, Reported in					
General Fund	5,187,650				5,187,650
Special Revenue Funds (Deficit)		(123,069)		4,387,099	4,264,030
Debt Service Fund				151,799	151,799
Capital Projects Funds			5,241,572	2,243,056	7,484,628
<b>Total Fund Balance (Deficit)</b>	<b>5,776,173</b>	<b>(94,410)</b>	<b>5,703,077</b>	<b>8,421,502</b>	<b>19,806,342</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$11,156,216</b>	<b>\$1,022,952</b>	<b>\$6,657,262</b>	<b>\$11,153,567</b>	<b>\$29,989,997</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balance  
to Net Assets of Governmental Activities  
December 31, 2006**

Total Governmental Fund Balance \$19,806,342

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

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

Governmental Activities	\$46,069,848	
Internal Service Fund	(63,276)	
		46,006,572

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

Accounts Receivable	464,917	
Accrued Interest Receivable	126,447	
Due from Other Governments	1,745,138	
Municipal Income Taxes Receivable	2,119,068	
Other Local Taxes Receivable	13,203	
Property Taxes Receivable	68,328	
Special Assessments Receivable	640,885	
		5,177,986

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (12,272)

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 140,514

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

Accrued Interest Payable	(28,429)	
General Obligation Bonds Payable	(10,859,772)	
OWDA Loans Payable	(13,865,724)	
Compensated Absences Payable	(1,523,498)	
Compensated Absences Payable-Internal Service Fund	77,777	
		(26,199,646)

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. 195,059

Net Assets of Governmental Activities \$45,114,555

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, 2006**

	General	Playground and Recreation	Sewer and Water Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,679,600	\$574,398			\$2,253,998
Municipal Income Taxes	5,868,976	390,993	\$3,912,206	\$4,850,103	15,022,278
Other Local Taxes	2,288,635			168,985	2,457,620
Special Assessments				45,771	45,771
Charges for Services	1,181,133	582,012		268,910	2,032,055
Fees, Licenses, and Permits	45,752		31,595	6,698	84,045
Fines and Forfeitures	568,522			322,408	890,930
Intergovernmental	2,982,426	64,528		1,806,825	4,853,779
Interest	778,958			161,492	940,450
Other	193,338	88,941		467,839	750,118
<b>Total Revenues</b>	<b>15,587,340</b>	<b>1,700,872</b>	<b>3,943,801</b>	<b>8,099,031</b>	<b>29,331,044</b>
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	3,683,683			1,158,935	4,842,618
Fire	2,819,982			2,306,600	5,126,582
Ambulance	95,796			64,350	160,146
Public Health	59,354			52	59,406
Leisure Time Activities		1,544,401		7,185	1,551,586
Community Environment	492,944			580,707	1,073,651
Basic Utility Services	620,809				620,809
Transportation	2,480,995			2,069,325	4,550,320
General Government					
Court	1,393,483			119,837	1,513,320
Other	3,064,586	13,404	134,160	211,684	3,423,834
Capital Outlay			1,432,027	485,965	1,917,992
Debt Service					
Principal Retirement			1,375,443	970,000	2,345,443
Interest and Fiscal Charges			578,753	461,636	1,040,389
<b>Total Expenditures</b>	<b>14,711,632</b>	<b>1,557,805</b>	<b>3,520,383</b>	<b>8,436,276</b>	<b>28,226,096</b>
Excess of Revenues Over (Under) Expenditures	875,708	143,067	423,418	(337,245)	1,104,948
<u>Other Financing Sources (Uses)</u>					
General Obligation Bonds Issued				480,000	480,000
OWDA Loans Issued			178,496		178,496
Transfers In				1,189,431	1,189,431
Transfers Out	(501,218)			(688,213)	(1,189,431)
<b>Total Other Financing Sources (Uses)</b>	<b>(501,218)</b>		<b>178,496</b>	<b>981,218</b>	<b>658,496</b>
Change in Fund Balance	374,490	143,067	601,914	643,973	1,763,444
Fund Balance (Deficit) Beginning of Year	5,401,683	(237,477)	5,101,163	7,777,529	18,042,898
Fund Balance (Deficit) End of Year	<b>\$5,776,173</b>	<b>(\$94,410)</b>	<b>\$5,703,077</b>	<b>\$8,421,502</b>	<b>\$19,806,342</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures,  
and Change in Fund Balance  
of Governmental Funds to Statement of Activities  
For the Year Ended December 31, 2006**

Change in Fund Balance - Total Governmental Funds		\$1,763,444
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>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.</p>		
Capital Outlay	\$1,374,917	
Capital Contributions	635,285	
Depreciation	(2,736,567)	
Depreciation-Internal Service Fund	<u>3,046</u>	(723,319)
<p>The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities.</p>		
Loss on Disposal	(16,575)	
Loss on Disposal-Internal Service Fund	<u>2,299</u>	(14,276)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Property Taxes	(3,171)	
Municipal Income Taxes	(361,275)	
Other Local Taxes	19,863	
Special Assessments	(39,418)	
Charges for Services	5,786	
Fines and Forfeitures	(530)	
Fees, Licenses, and Permits	975	
Intergovernmental	682,867	
Interest	93,980	
Other	<u>(10,526)</u>	388,551
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
Notes Payable	305,000	
General Obligation Bonds Payable	665,000	
OWDA Loans Payable	<u>1,375,443</u>	2,345,443
<p>Bonds and OWDA loan proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.</p>		
General Obligation Bonds Issued	(480,000)	
OWDA Loans Issued	<u>(178,496)</u>	(658,496)
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued: however, these amounts are deferred and amortized on the statement of activities.</p>		
Accrued Interest Payable	8,289	
Amortization of Premium	<u>6,454</u>	14,743
<p>Issuance costs are reported as an expenditure when paid in governmental funds, but are amortized over the life of the debt on the statement of activities.</p>		
		(9,090)

(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, 2006  
(continued)**

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences Payable	(\$188,271)	
Compensated Absences Payable - Internal Service Fund	<u>7,755</u>	(\$180,516)
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.		
		13,816
The internal service fund used by management to charge the cost of engineering services to an external agency is reported on the statement of activities. The change for the external portion is reported for the year.		
		<u>1,705</u>
Change in Net Assets of Governmental Activities		<u><u>\$2,942,005</u></u>
See Accompanying Notes to the Basic Financial Statements		

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Revenues, Expenditures,  
and Change in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues</u>				
Property Taxes	\$1,470,137	\$1,693,497	\$1,679,600	(\$13,897)
Municipal Income Taxes	5,289,316	5,364,442	5,754,369	389,927
Other Local Taxes	2,154,576	2,222,865	2,317,321	94,456
Charges for Services	1,213,367	1,160,977	1,173,277	12,300
Fees, Licenses, and Permits	585,000	66,015	46,952	(19,063)
Fines and Forfeitures		545,500	583,527	38,027
Intergovernmental	1,797,503	2,076,171	2,557,036	480,865
Interest		540,000	735,773	195,773
Other	501,000	13,100	179,944	166,844
<b>Total Revenues</b>	<b>13,010,899</b>	<b>13,682,567</b>	<b>15,027,799</b>	<b>1,345,232</b>
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	3,968,663	3,968,663	3,713,476	255,187
Fire	2,927,574	2,927,574	2,771,223	156,351
Ambulance	134,423	134,423	100,371	34,052
Public Health	67,588	67,588	59,612	7,976
Community Environment	779,539	779,539	659,647	119,892
Basic Utility Services	713,452	713,452	638,816	74,636
Transportation	2,531,636	2,534,308	2,355,800	178,508
General Government				
Court	1,529,362	1,529,362	1,398,596	130,766
Other	4,874,228	4,503,570	3,202,207	1,301,363
Other	1,000	1,000		1,000
<b>Total Expenditures</b>	<b>17,527,465</b>	<b>17,159,479</b>	<b>14,899,748</b>	<b>2,259,731</b>
Excess of Revenues Over (Under) Expenditures	(4,516,566)	(3,476,912)	128,051	3,604,963
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	57,950	3,850	7,624	3,774
Advances In	13,000	13,000	13,000	
Advances Out		(1,500)	(1,500)	
Transfers In		57,950	57,950	
Transfers Out		(568,113)	(501,218)	66,895
<b>Total Other Financing Sources (Uses)</b>	<b>70,950</b>	<b>(494,813)</b>	<b>(424,144)</b>	<b>70,669</b>
Change in Fund Balance	(4,445,616)	(3,971,725)	(296,093)	3,675,632
Fund Balance Beginning of Year	4,323,446	4,323,446	4,323,446	
Prior Year Encumbrances Appropriated	635,419	635,419	635,419	
<b>Fund Balance End of Year</b>	<b>\$513,249</b>	<b>\$987,140</b>	<b>\$4,662,772</b>	<b>\$3,675,632</b>

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Revenues, Expenditures,  
and Change in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
Playground and Recreation Fund  
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Property Taxes	\$567,505	\$576,055	\$574,398	(\$1,657)
Municipal Income Taxes	352,268	357,465	383,434	25,969
Charges for Services	870,305	898,454	581,629	(316,825)
Intergovernmental	63,056	60,421	64,528	4,107
Other	15,000	61,710	88,935	27,225
<b>Total Revenues</b>	<b>1,868,134</b>	<b>1,954,105</b>	<b>1,692,924</b>	<b>(261,181)</b>
<u>Expenditures</u>				
Current:				
Leisure Time Activities	1,897,377	1,945,341	1,606,015	339,326
General Government				
Other	8,871	15,032	14,239	793
<b>Total Expenditures</b>	<b>1,906,248</b>	<b>1,960,373</b>	<b>1,620,254</b>	<b>340,119</b>
Excess of Revenues Over (Under) Expenditures	(38,114)	(6,268)	72,670	78,938
<u>Other Financing Uses</u>				
Transfers Out	(57,950)	(57,950)	(57,950)	
Change in Fund Balance	(96,064)	(64,218)	14,720	78,938
Fund Balance Beginning of Year	164,755	164,755	164,755	
Prior Year Encumbrances Appropriated	62,320	62,320	62,320	
<b>Fund Balance End of Year</b>	<b>\$131,011</b>	<b>\$162,857</b>	<b>\$241,795</b>	<b>\$78,938</b>

See Accompanying Notes to the Basic Financial Statements



**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2006**

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,806,710	\$4,665,934	\$3,366,925	\$11,839,569	\$137,313
Cash and Cash Equivalents with Fiscal Agents	1,432,276			1,432,276	
Accounts Receivable	3,519,358	377,990	447,865	4,345,213	567
Accrued Interest Receivable	4,193	32,750	38,596	75,539	
Due from Other Governments	1,723	974	1,048	3,745	470
Other Local Taxes Receivable	127,172			127,172	
Interfund Receivable	105,558	8,597	37,886	152,041	93,091
Prepaid Items	37,533	20,099	30,899	88,531	
Materials and Supplies Inventory	825,358	124,309	64,496	1,014,163	
Restricted Assets					
Cash and Cash Equivalents with Escrow Agents		15,146		15,146	
<b>Total Current Assets</b>	<b>9,859,881</b>	<b>5,245,799</b>	<b>3,987,715</b>	<b>19,093,395</b>	<b>231,441</b>
<u>Non-Current Assets</u>					
Unamortized Bond Issuance Cost	9,090	14,489	50,985	74,564	
Nondepreciable Capital Assets	451,543	309,697	1,338,088	2,099,328	
Depreciable Capital Assets, Net	15,342,592	27,941,864	39,503,700	82,788,156	63,276
Investment in Joint Venture	12,703,747			12,703,747	
<b>Total Non-Current Assets</b>	<b>28,506,972</b>	<b>28,266,050</b>	<b>40,892,773</b>	<b>97,665,795</b>	<b>63,276</b>
<b>Total Assets</b>	<b>38,366,853</b>	<b>33,511,849</b>	<b>44,880,488</b>	<b>116,759,190</b>	<b>294,717</b>
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	79,686	47,911	53,358	180,955	9,493
Accounts Payable	2,404,475	108,313	22,620	2,535,408	872
Due to Other Governments	89,508	49,338	57,105	195,951	10,816
Interfund Payable	125,187	4,669	63,199	193,055	700
Accrued Interest Payable	15,418	2,614	9,197	27,229	
Notes Payable	4,916,000			4,916,000	
Retainage Payable		15,146		15,146	
General Obligation Bonds Payable	60,000	50,000	170,000	280,000	
Compensated Absences Payable	117,702	61,938	68,954	248,594	
Capital Leases Payable		48,044	50,627	98,671	
AMP Ohio Payable	757,031			757,031	
<b>Total Current Liabilities</b>	<b>8,565,007</b>	<b>387,973</b>	<b>495,060</b>	<b>9,448,040</b>	<b>21,881</b>
<u>Non-Current Liabilities</u>					
General Obligation Bonds Payable	611,455	1,020,287	3,596,202	5,227,944	
Compensated Absences Payable	234,438	175,840	188,837	599,115	77,777
Capital Leases Payable		158,880	113,291	272,171	
AMP Ohio Payable	11,323,719			11,323,719	
<b>Total Non-Current Liabilities</b>	<b>12,169,612</b>	<b>1,355,007</b>	<b>3,898,330</b>	<b>17,422,949</b>	<b>77,777</b>
<b>Total Liabilities</b>	<b>20,734,619</b>	<b>1,742,980</b>	<b>4,393,390</b>	<b>26,870,989</b>	<b>99,658</b>
<u>Net Assets</u>					
Invested in Capital Assets, Net of Related Debt	10,215,770	26,988,839	36,962,653	74,167,262	63,276
Unrestricted	7,416,464	4,780,030	3,524,445	15,720,939	131,783
<b>Total Net Assets</b>	<b>\$17,632,234</b>	<b>\$31,768,869</b>	<b>\$40,487,098</b>	<b>89,888,201</b>	<b>\$195,059</b>

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

12,272

Net assets of business-type activities

\$89,900,473

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, 2006**

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Operating Revenues</u>					
Charges for Services	\$35,738,899	3,487,554	\$3,533,094	\$42,759,547	\$433,265
Other	1,124,601	88,522	267,876	1,480,999	972
Total Operating Revenues	<u>36,863,500</u>	<u>3,576,076</u>	<u>3,800,970</u>	<u>44,240,546</u>	<u>434,237</u>
<u>Operating Expenses</u>					
Purchased Power	27,646,155			27,646,155	
Plant Operation		505,711	1,560,211	2,065,922	
Plant Maintenance		347,268	469,677	816,945	
Distribution Operation	1,239,252	309,468	172,852	1,721,572	
Distribution Maintenance	1,460,581	367,245	405,459	2,233,285	
Customer Account Collection	318,552	107,573	110,735	536,860	
Administrative and General	1,122,099	741,844	1,168,303	3,032,246	
Information and Technology	5,435	1,812	1,812	9,059	
Depreciation	1,127,406	927,564	1,224,529	3,279,499	3,046
Other					411,836
Total Operating Expenses	<u>32,919,480</u>	<u>3,308,485</u>	<u>5,113,578</u>	<u>41,341,543</u>	<u>414,882</u>
Operating Income (Loss)	<u>3,944,020</u>	<u>267,591</u>	<u>(1,312,608)</u>	<u>2,899,003</u>	<u>19,355</u>
<u>Non-Operating Revenues (Expenses)</u>					
Grants	8,136			8,136	
Loss on Disposal of Capital Assets					(2,299)
Excise Taxes	1,716,093			1,716,093	
Excise Taxes Expense	(1,716,093)			(1,716,093)	
Interest Revenue	228,927	212,637	154,548	596,112	
Interest Expense	(204,695)	(44,517)	(166,693)	(415,905)	
Investment in Joint Venture	(129,602)			(129,602)	
Total Non-Operating Revenues (Expenses)	<u>(97,234)</u>	<u>168,120</u>	<u>(12,145)</u>	<u>58,741</u>	<u>(2,299)</u>
Income (Loss) before Contributions	3,846,786	435,711	(1,324,753)	2,957,744	17,056
Capital Contributions		321,780	2,206,235	2,528,015	
Change in Net Assets	3,846,786	757,491	881,482	5,485,759	17,056
Net Assets Beginning of Year	<u>13,785,448</u>	<u>31,011,378</u>	<u>39,605,616</u>		<u>178,003</u>
Net Assets End of Year	<u>\$17,632,234</u>	<u>\$31,768,869</u>	<u>\$40,487,098</u>		<u>\$195,059</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.

	1,535
Change in net assets of business-type activities	<u>\$5,487,294</u>

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, 2006**

	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	\$36,659,688	\$3,461,887	\$3,573,027	\$43,694,602	
Cash Received from Transactions with Other Funds					\$385,755
Cash Payments for Purchased Power	(31,362,696)			(31,362,696)	
Cash Payments for Plant Operation		(436,917)	(1,531,365)	(1,968,282)	
Cash Payments for Plant Maintenance		(364,166)	(484,331)	(848,497)	
Cash Payments for Distribution Operation	(1,219,384)	(286,542)	(144,127)	(1,650,053)	
Cash Payments for Distribution Maintenance	(1,551,292)	(408,716)	(410,566)	(2,370,574)	
Cash Payments for Customer Account Collection	(328,685)	(109,702)	(110,080)	(548,467)	
Cash Payments for Administrative and General	(1,364,236)	(799,229)	(1,295,516)	(3,458,981)	
Cash Received from Other Revenues	1,110,530	87,548	266,828	1,464,906	972
Cash Payments for Other Expenses					(405,856)
Net Cash Provided by (Used for) Operating Activities	1,943,925	1,144,163	(136,130)	2,951,958	(19,129)
<u>Cash Flows from Noncapital Financing Activities</u>					
Grants	8,136			8,136	
Cash Received from Excise Taxes	1,716,093			1,716,093	
Cash Payments for Excise Tax Distribution	(1,716,093)			(1,716,093)	
Net Cash Provided by Noncapital Financing Activities	8,136			8,136	
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(5,471,000)			(5,471,000)	
Principal Paid on General Obligation Bonds	(60,000)	(45,000)	(165,000)	(270,000)	
Principal Paid on Capital Leases		(58,287)	(48,362)	(106,649)	
Principal Paid on AMP-Ohio	(769,417)			(769,417)	
Interest Paid on Bond Anticipation Notes	(180,041)			(180,041)	
Interest Paid on General Obligation Bonds	(25,625)	(44,450)	(156,713)	(226,788)	
Interest Paid on Capital Leases			(9,733)	(9,733)	
Proceeds of Bond Anticipation Notes	4,916,000			4,916,000	
Acquisition of Capital Assets	(629,698)	(1,065,928)	553,481	(1,142,145)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,219,781)	(1,213,665)	173,673	(3,259,773)	
<u>Cash Flows from Investing Activities</u>					
Interest	224,933	192,902	118,910	536,745	
Net Increase (Decrease) in Cash and Cash Equivalents	(42,787)	123,400	156,453	237,066	(19,129)
Cash and Cash Equivalents Beginning of Year	5,281,773	4,557,680	3,210,472	13,049,925	156,442
Cash and Cash Equivalents End of Year	\$5,238,986	\$4,681,080	\$3,366,925	\$13,286,991	\$137,313

See Accountant's Compilation Report

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2006  
(continued)**

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	\$3,944,020	\$267,591	(\$1,312,608)	\$2,899,003	\$19,355
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Depreciation	1,127,406	927,564	1,224,529	3,279,499	3,046
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	962,115	(39,886)	31,195	953,424	11,098
Increase in Due from Other Governments	(1,723)	(974)	(1,048)	(3,745)	(470)
Increase in Other Local Taxes Receivable	(127,172)			(127,172)	
(Increase) Decrease in Interfund Receivable	(53,674)	14,219	8,738	(30,717)	(58,138)
(Increase) Decrease in Prepaid Items	(543)	6,967	(3,833)	2,591	
(Increase) Decrease in Materials and Supplies Inventory	(59,028)	6,014	(7,391)	(60,405)	
Increase in Accrued Wages Payable	469	3,692	1,530	5,691	78
Decrease in Accounts Payable	(3,843,745)	(55,046)	(125,928)	(4,024,719)	(2,283)
Increase (Decrease) in Due to Other Governments	(5,852)	1,337	662	(3,853)	748
Increase (Decrease) in Interfund Payable	(11,721)	(2,541)	25,193	10,931	(318)
Increase in Compensated Absences Payable	13,373	15,226	22,831	51,430	7,755
Net Cash Provided by (Used for) Operating Activities	<u>\$1,943,925</u>	<u>\$1,144,163</u>	<u>(\$136,130)</u>	<u>\$2,951,958</u>	<u>(\$19,129)</u>

Non-Cash Capital Financing Activities:

During 2006, the Water and Sewer enterprise funds received capital assets donated by developers and private contractors, in the amount of \$298,987 and \$898,405, respectively. The Water and Sewer enterprise funds also received capital assets that were constructed in the City's governmental funds, in the amount of \$22,793 and \$1,307,830, respectively.

During 2006, the Water enterprise fund entered into a new lease for equipment, in the amount of \$265,211.

See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2006**

Assets

Cash and Cash Equivalents in Segregated Accounts	\$247,092
Special Assessments Receivable	<u>393,594</u>

Total Assets	<u><u>\$640,686</u></u>
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Liabilities

Undistributed Assets	<u><u>\$640,686</u></u>
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See Accompanying Notes to the Basic Financial Statements

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**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 2006.

The City participates in two insurance pools, three joint ventures, and a jointly governed organization. These organizations are the Buckeye Ohio Risk Management Agency (BORMA), the North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan (Plan), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5), the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6), and the Bowling Green Central Business Special Improvement District Inc. (SID). These organizations are presented in Notes 22, 23, and 24 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

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

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

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



**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2006. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for special assessments levied and paid to the Bowling Green Central Business Special Improvement District, Inc., monies collected from a fundraising project for the Bowling Green Central Business Special Improvement District, Inc., and fines and fees collected by the Bowling Green Municipal Court (excluding those due to the City of Bowling Green).

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2006, but were levied to finance 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

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

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

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

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

During 2005, the City invested in nonnegotiable certificates of deposit, federal agency securities, and Star Ohio. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price. 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, 2006.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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 2006 was \$778,958, which includes \$563,857 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, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**H. Inventory**

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

**I. Restricted Assets**

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

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

**J. Unamortized Bond Issuance Costs/Bond Premiums**

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

**K. Capital Assets**

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

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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

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

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

**L. Interfund Assets/Liabilities**

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

**M. Compensated Absences**

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

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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

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

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

**N. Accrued Liabilities and Long-Term Obligations**

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

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

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance of state highways, various police department related activities, and cemetery maintenance. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2006, there were no net assets restricted by enabling legislation.

**P. Fund Balance Reserves**

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

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Q. Operating Revenues and Expenses

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

R. Capital Contributions

Capital contributions for governmental activities as well as those on the proprietary fund statements arise from contributions from other funds and outside contributions of capital assets.

S. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

T. Estimates

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE**

For 2006, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 47, "Accounting for Termination Benefits". This statement establishes accounting standards for termination benefits. The implementation of this statement did not have any effect on the City's financial statements.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

At December 31, 2006, the Playground and Recreation, Off Street Parking, and Parking special revenue funds had deficit fund balances, in the amount of \$94,410, \$12,718, and \$6,319, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

As of December 31, 2006, the City did not obtain reduced amended certificates of estimated resources for the Playground and Recreation fund and Sewer and Water Improvement Fund as required by Ohio Revised Code Section 5705.36.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

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



**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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

	Change in Fund Balance	
	General	Playground and Recreation
GAAP Basis	\$374,490	\$143,067
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2005, Received in Cash 2006	1,036,410	30,581
Accrued 2006, Not Yet Received in Cash	(1,595,342)	(38,140)
Expenditure Accruals:		
Accrued 2005, Paid in Cash 2006	(1,176,007)	(104,024)
Accrued 2006, Not Yet Paid in Cash	1,292,185	74,272
Cash Adjustments:		
Unrecorded Activity 2005	50,699	14,541
Unrecorded Activity 2006	(43,684)	(14,930)
Prepaid Items	20,823	
Materials and Supplies Inventory		(1,405)
Advances In	13,000	
Advances Out	(1,500)	
Transfers In	57,950	
Transfers Out		(57,950)
Encumbrances Outstanding at Year End (Budget Basis)	(325,117)	(31,292)
Budget Basis	(\$296,093)	\$14,720

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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

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

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

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

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.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$18,771,200 of the City's bank balance of \$27,797,087 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2006, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$998,380	January 18, 2008
Federal Home Loan Bank Bonds	500,020	August 18, 2008
Federal Home Loan Bank Bonds	998,490	September 12, 2008
STAR Ohio	1,689,935	35 days average
Total Investments	<u>\$4,186,825</u>	

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

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

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation Notes	\$998,380	23.9%
Federal Home Loan Bank Bonds	\$1,498,510	35.8

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2006, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; notes; and special assessments. Notes receivable, in the amount of \$337,959, will not be received within one year. Special assessments receivable, in the amount of \$599,611, will not be received within one year. At December 31, 2006, the amount of delinquent special assessments was \$1,300.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$62,857
Tangible Personal Property Reimbursement	12,147
State of Ohio	9,340
Charges for Services	38,701
Fees, Licenses, and Permits	400
Fines and Forfeitures	35,806
Local Government	699,515
Usage Tax	16,679
	(continued)

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

	Amount
Governmental Activities (continued)	
Major Funds	
Estate Tax	\$785,969
Wood County Auditor	70
Other	57
Total General Fund	1,661,541
Playground and Recreation	
Homestead and Rollback	21,632
Tangible Personal Property Reimbursement	4,724
Total Playground and Recreation	26,356
Sewer and Water Improvement	
Ohio Department of Development	180,155
Total Major Funds	1,868,052
Nonmajor Funds	
Street Maintenance and Repair	
Gasoline Tax	310,470
Auto Registration	80,057
Motor Vehicle License Tax	21,300
Total Street Maintenance and Repair	411,827
State Highway	
Gasoline Tax	25,174
Auto Registration	6,491
Total State Highway	31,665
Law Enforcement Trust	
Fees, Licenses, and Permits	135
Law Enforcement Drug	
Fines and Forfeitures	243
Indigent Drivers Alcohol	
Fines and Forfeitures	614
Education and Enforcement	
Fines and Forfeitures	372
Municipal Probation Services	
Charges for Services	4,227
Municipal Court Computerization	
Charges for Services	399
	(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

	Amount
Governmental Activities (continued)	
Street Repair	
Ohio Department of Development	\$319,845
Municipal Court Special Projects	
Charges for Services	665
Fines and Forfeitures	9,614
Total Municipal Court Special Projects	10,279
Total Nonmajor Funds	779,606
Total Governmental Activities	\$2,647,658
 Business Type Activities	
Major Funds	
Electric	
State of Ohio	\$1,723
Water	
State of Ohio	974
Sewer	
State of Ohio	1,048
Total Business Type Activities	\$3,745
 Internal Service Fund	
Engineering	
Charges for Services	\$470

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

**NOTE 8 - NOTES RECEIVABLE**

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant and Home Investment Partnership Programs. The notes have an annual interest rate of 2.6 to 5.5 percent and are to be repaid over periods ranging from one to twenty years. A summary of the changes in notes receivable during 2006 follows:

	Balance December 31, 2005	New Loans	Repaymen ts	Balance December 31, 2006	Due Within One Year
Special Revenue Fund					
CDBG					
Revolving Loan					
Program	\$426,819	\$103,000	\$187,939	\$341,880	\$132,605
Home Program	183,152		36,374	146,778	21,108
Downtown Revolving					
Loan					
Program	19,173		10,956	8,217	5,203
Total Notes Receivable	<u>\$629,144</u>	<u>\$103,000</u>	<u>\$235,269</u>	<u>\$496,875</u>	<u>\$158,916</u>

**NOTE 9 - MUNICIPAL INCOME TAXES**

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

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

**NOTE 10 - PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Public utility property tax revenues received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2004, were levied after October 1, 2005, 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 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. 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, 2006, and for which there was an enforceable legal claim. The entire receivable has been deferred since current taxes were not levied to finance 2006 operations and collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while the remainder has been deferred.

The full tax rate for all City operations for the year ended December 31, 2006, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$288,647,900
Commercial/Industrial	182,860,920
Public Utility Real	10,980
Public Utility Personal	3,507,070
Tangible Personal	34,067,028
Total	\$509,093,898



**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,293,179			\$3,293,179
Construction in Progress	822,427	\$21,327		843,754
Total Nondepreciable Capital Assets	<u>4,115,606</u>	<u>21,327</u>		<u>4,136,933</u>
Depreciable Capital Assets				
Land Improvements	2,017,598			2,017,598
Buildings	18,401,591			18,401,591
Equipment	1,917,398	148,713		2,066,111
Vehicles	5,655,262	603,299	(\$295,376)	5,963,185
Streets	46,549,685	1,236,863		47,786,548
Total Depreciable Capital Assets	<u>74,541,534</u>	<u>1,988,875</u>	<u>(295,376)</u>	<u>76,235,033</u>
Governmental Activities:				
Less Accumulated Depreciation for				
Land Improvements	(818,673)	(79,965)		(898,638)
Buildings	(5,108,523)	(383,073)		(5,491,596)
Equipment	(1,076,731)	(193,202)		(1,269,933)
Vehicles	(3,631,414)	(493,679)	278,801	(3,846,292)
Streets	(21,209,011)	(1,586,648)		(22,795,659)
Total Accumulated Depreciation	<u>(31,844,352)</u>	<u>(2,736,567)</u>	<u>278,801</u>	<u>(34,302,118)</u>
Total Depreciable Capital Assets, Net	<u>42,697,182</u>	<u>(747,692)</u>	<u>(16,575)</u>	<u>41,932,915</u>
Governmental Activities Capital Assets, Net	<u>\$46,812,788</u>	<u>(\$726,365)</u>	<u>(\$16,575)</u>	<u>\$46,069,848</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

During 2006, the City accepted contributions of depreciable capital assets for governmental activities with a fair value of \$635,285.

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
<b>Business-Type Activities:</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$2,067,507			\$2,067,507
Construction in Progress	650,935		(\$19,114)	31,821
<b>Total Nondepreciable Capital Assets</b>	<b>2,718,442</b>		<b>(619,114)</b>	<b>2,099,328</b>
<b>Business-Type Activities:</b>				
<b>Depreciable Capital Assets</b>				
Buildings	55,544,482	1,321,146		56,865,628
Equipment	2,069,352	50,460		2,119,812
Vehicles	4,040,801	747,942	(101,914)	4,686,829
Electric, Water, Sewer, and Storm Sewer Lines	82,394,207	2,420,928		84,815,135
<b>Total Depreciable Capital Assets</b>	<b>144,048,842</b>	<b>4,540,476</b>	<b>(101,914)</b>	<b>148,487,404</b>
<b>Less Accumulated Depreciation for</b>				
Buildings	(25,545,882)	(1,071,820)		(26,617,702)
Equipment	(1,788,600)	(121,272)		(1,909,872)
Vehicles	(3,141,436)	(427,221)	101,914	(3,466,743)
Electric, Water, Sewer, and Storm Sewer Lines	(32,045,745)	(1,659,186)		(33,704,931)
<b>Total Accumulated Depreciation</b>	<b>(62,521,663)</b>	<b>(3,279,499)</b>	<b>101,914</b>	<b>(65,699,248)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>81,527,179</b>	<b>1,260,977</b>		<b>82,788,156</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$84,245,621</b>	<b>\$1,260,977</b>	<b>(\$619,114)</b>	<b>\$84,887,484</b>

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	\$161,930
Security of Persons and Property-Fire	159,808
Security of Persons and Property-Ambulance	41,746
Public Health	1,295
Leisure Time Activities	185,366
Community Environment	8,254
Transportation	1,647,871
General Government-Court	139,159
General Government-Other	391,138
Total Depreciation Expense - Governmental Activities	<u><u>\$2,736,567</u></u>

**NOTE 12 - INTERFUND BALANCES**

Interfund balances at December 31, 2006, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Playground and Recreation	\$347,700
Other Governmental	14,500
Electric	120,237
Total General Fund	<u><u>\$482,437</u></u>

Due to Electric Fund from:

General	\$34,625
Playground and Recreation	4,096
Other Governmental	6,979
Water	2,397
Sewer	57,461
Total Electric Fund	<u><u>\$105,558</u></u>

(Continued)

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Due to Water Fund from:

General	\$2,904
Playground and Recreation	241
Other Governmental	1,329
Electric	1,047
Sewer	3,076
Total Water Fund	\$8,597

Due to Sewer Fund from:

General	\$24,753
Playground and Recreation	748
Other Governmental	5,733
Electric	3,903
Water	2,049
Internal Service	700
Total Sewer Fund	\$37,886

Due to Internal Service Fund from:

General	\$49,485
Sewer and Water Improvement	16,390
Other Governmental	24,331
Water	223
Sewer	2,662
Total Internal Service Fund	\$93,091

The balances due to the General, Electric, Water, Sewer, and Internal Service funds resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts, except for amounts due to the General Fund from the Playground and Recreation special revenue fund, are expected to be received within one year. The following is a summary of the City's future annual debt service requirements to repay the \$347,700 owed by the Playground and Recreation special revenue fund:

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Year Ending December 31,	Principal
2007	\$57,950
2008	57,950
2009	57,950
2010	57,950
2011	57,950
2012	57,950
Total	\$347,700

**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 2006, the City contracted with the Buckeye Ohio Risk Management Agency (BORMA) for property, liability, and crime insurance. The BORMA program is subject to a \$150,000 deductible for any property or liability loss. Coverage provided by BORMA is as follows:

Property	
Building and Contents	\$106,350,097
Flood Annual Aggregate	21,000,000
Earthquake Annual Aggregate	21,000,000
Boiler and Machinery	50,000,000
General Liability	
Per Occurrence	2,000,000
Employee Benefit Liability	2,000,000
Ohio Stop Gap Liability	2,000,000
Public Official Liability	
Per Occurrence	2,000,000
Annual Aggregate	2,000,000
Law Enforcement Professional Liability	2,000,000
Automobile Liability	2,000,000

(continued)

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Crime	
Employee Dishonesty and Faithful Performance	\$750,000
Computer Fraud	500,000
Depositor's Forgery	750,000
Money and Securities	750,000
Excess Liability	
Per Occurrence	8,000,000
Annual Aggregate	8,000,000

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

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

For 2006, the City participated in the North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

**NOTE 14 - CONTRACTUAL COMMITMENTS**

At December 31, 2006, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
K Walters	2006 Sidewalk Project	\$27,137
Shelly Company	2006 Pavement Program	851,709
Quinn Construction	2006 Sidewalk Project	32,625
JDR Excavating	Innovative Technology Park	55,933
Arcadisfps	Wastewater Treatment Plant Aeration	81,128
Mosser Construction	WWTP & Solids Handling Improvements	46,312
Retzke/Snyder	WWTP & Solids Handling Improvements	29,555
Crimson Fire	Fire Truck	171,629
Poggemeyer	North Main Street Reconstruction	143,785
Geddis Inc.	Napoleon Road/Dunbridge Road	194,836
Sunrise	2006 International, DT 466, 300 HP	189,395
Retzke/Snyder	Multi-Tech, GAC & SCADA Improvements	43,629
Reveille	BG Housing Study	16,377

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

For the year ended December 31, 2006, members of all three plans were required to contribute 9 percent of their annual covered salary to fund pension obligations. The City's contribution rate for pension benefits for 2006 was 9.2 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$961,383, \$952,698, and \$908,762, respectively; 87 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004. The unpaid contribution for 2006, in the amount of \$126,305, is recorded as a liability. Contributions to the member-directed plan for 2006 were \$14,263 made by the City and \$9,370 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, 2006, 2005, and 2004, were \$842,449, \$803,097, and \$767,033, respectively; 72 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004. The unpaid contribution for 2006, in the amount of \$237,431, 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 2006 employer contribution rate was 13.7 percent of covered payroll; 4.5 percent was the portion used to fund health care.



**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 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 .5 to 6 percent annually for the next nine years and 4 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits was \$477,218. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2005 (the latest information available), was \$11.1 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

In September 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

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

The health care coverage provided by OPF is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OPF'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 2006. 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 2006 that were used to fund postemployment benefits were \$202,450 for police and \$255,397 for firefighters. The OPF's total health care expense for the year ended December 31, 2005 (the latest information available), was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OPF participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 17 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn vacation at varying rates depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with supervisory approval. Employees are paid for 100 percent of earned unused vacation leave upon termination. Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit. Each employee, at the time of retirement from active service with the City, is paid for 25 percent of their earned unused sick leave, with no maximum payment limit.

**NOTE 18 - NOTES PAYABLE**

The City's note transactions for the year ended December 31, 2006, were as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>
<u>Governmental Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Capital Projects Funds					
2005 Research Park Drive	4.20%	\$305,000		\$305,000	
2005 Park and Recreation	3.78	480,000		480,000	
Total Governmental Activities		<u>\$785,000</u>		<u>\$785,000</u>	
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Electric					
2005 Electric System Improvements	3.3%	\$2,136,000		\$2,136,000	
2005 Electric System Improvements	3.3	3,335,000		3,335,000	
2006 Electric System Improvements	3.7		\$781,000		\$781,000
2006 Electric System Improvements	3.7		3,135,000		3,135,000
Total Business-Type Activities		<u>\$5,471,000</u>	<u>\$4,916,000</u>	<u>\$5,471,000</u>	<u>\$4,916,000</u>

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

The bond anticipation notes in the capital projects funds, in the amount of \$305,000 were issued on June 9, 2005, to partially retire notes previously issued to pay the costs of constructing the southerly portion of Research Park Drive. This note was paid off in 2006.

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

The bond anticipation notes in the capital projects funds, in the amount of \$480,000 were issued on November 10, 2005, to purchase real property for park and recreation purposes. General obligation bonds were issued in 2006 to retire the notes.

The bond anticipation notes in the Electric enterprise fund, in the amount of \$1,781,000 and \$3,135,000, were issued on November 30, 2006, to partially retire notes previously issued to pay the costs of improving the City's electric system by constructing a new substation.

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

**NOTE 19 - LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$11,745,000)	3.00%	\$10,945,000		\$665,000	\$10,280,000	\$655,000
Premium		106,226		6,454	99,772	
2006 Park and Recreation (Original Issue - \$480,000)	4.42		\$480,000		480,000	
<b>Total General Obligation Bonds</b>		<b>11,051,226</b>	<b>480,000</b>	<b>671,454</b>	<b>10,859,772</b>	<b>655,000</b>
Ohio Water Development Authority Loans						
1985 Water System (Original Issue - \$1,583,371)	8.97	186,700		186,700		
1988 Dunbridge Road Water (Original Issue - \$883,788)	8.31	372,146		140,630	231,516	73,120
1994 Second Water Transmission Main (Original Issue - \$3,644,348)	5.77	3,070,937		148,508	2,922,429	78,538
1999 Granular Activated Carbon System (Original Issue - \$2,880,752)	5.50	2,397,669		212,343	2,185,326	110,571
2001 Wintergarden Heights/Sand Ridge Sewer (Original Issue - \$295,162)	3.20	120,883		120,883		
2002 Clearwell and High Service Pump (Original Issue - \$3,942,361)	3.95	3,430,519		212,900	3,217,619	111,874
2004 Wastewater Treatment Plant and Solids Handling Improvements	1.76	5,483,817	178,496	353,479	5,308,834	
<b>Total Ohio Water Development Authority Loans</b>		<b>15,062,671</b>	<b>178,496</b>	<b>1,375,443</b>	<b>13,865,724</b>	<b>374,103</b>
Other Long-Term Obligations						
Compensated Absences Payable		1,335,227	254,588	66,317	1,523,498	762,733
<b>Total Governmental Activities</b>		<b>\$27,449,124</b>	<b>\$913,084</b>	<b>\$2,113,214</b>	<b>\$26,248,994</b>	<b>\$1,791,836</b>

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$6,215,000)	3.00%	\$5,725,000		\$270,000	\$5,455,000	\$280,000
Premium		55,564		2,620	52,944	
Total General Obligation Bonds		5,780,564		272,620	5,507,944	280,000
Other Long-Term Obligations						
Compensated Absences Payable		\$796,279	\$112,887	\$61,457	\$847,709	\$248,594
Capital Leases Payable		212,280	265,211	106,649	370,842	98,671
AMP Ohio Payable - JV 2		7,627,245		354,417	7,272,828	369,031
AMP Ohio Payable - JV 6		5,222,922		415,000	4,807,922	388,000
Total Other Long-Term Obligations		13,858,726	378,098	937,523	13,299,301	1,104,296
Total Business-Type Activities		\$19,639,290	\$378,098	\$1,210,143	\$18,807,245	\$1,384,296

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

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

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

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

**CITY OF BOWLING GREEN  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

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

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

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

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

OWDA Loans Payable - The OWDA loans represent amounts borrowed from the Ohio Water Development Authority for construction of water and sewer system improvements. The intention is to repay the loans with income tax revenues of the Sewer and Water Capital Improvement capital projects fund to the extent such resources are available.

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

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

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

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

The City's legal debt margin was \$42,694,859 at December 31, 2006.

The Waste Water Treatment Plant and Solids Handling Improvements project funded by an OWDA loan has not been completed. An amortization schedule for the repayment of the loan will not be available until the project is completed and, therefore, is not included in the following schedule.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2006, were as follows:

Year	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2007	\$655,000	\$432,559	\$374,103	\$220,614
2008	725,000	411,554	780,772	408,662
2009	730,000	388,952	653,735	364,143
2010	740,000	366,200	686,716	331,163
2011	650,000	341,448	721,402	296,477
2012 to 2016	2,870,000	1,345,405	3,667,422	909,975
2017 to 2021	2,365,000	799,363	1,672,740	168,897
2022 to 2026	1,535,000	311,549		
2027 to 2028	490,000	37,000		
Total	<u>\$10,760,000</u>	<u>\$4,434,030</u>	<u>\$8,556,890</u>	<u>\$2,699,931</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006, from the enterprise funds were as follows:

Year	General Obligation Bonds		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2007	\$280,000	\$218,688	\$757,031	\$551,159
2008	280,000	210,288	747,300	560,777
2009	290,000	201,888	764,482	543,294
2010	295,000	193,188	786,578	521,347
2011	305,000	183,600	814,414	493,521
2012 to 2016	1,675,000	738,327	4,847,233	1,692,496
2017 to 2021	1,590,000	396,022	3,363,712	364,558
2022 to 2023	740,000	53,198		
Total	<u>\$5,455,000</u>	<u>\$2,195,199</u>	<u>\$12,080,750</u>	<u>\$4,727,152</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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

	Date of Issue	Amount of Issue	Balance December 31, 2006
Industrial Revenue Bonds			
Lamson and Session Company	6/28/1995	\$2,780,000	\$600,000
Multi-Family Housing Revenue Bonds			
Bowling Green Village Series 2001 A	6/1/2001	3,320,000	3,140,000
Bowling Green Village Series 2001 B	6/1/2001	500,000	500,000
Ohio Water Development Authority Loan			
Hiram College	4/29/04	611,872	611,872

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

**NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE**

The City has entered into capitalized leases for vehicles. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2006 were \$106,649.

	Business-Type Activities
Vehicles	\$602,049
Less Accumulated Depreciation	(282,777)
Carrying Value, December 31, 2006	<u>\$319,272</u>



**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2006.

Year	Business-Type Activities	
	Principal	Interest
2007	\$98,671	\$17,711
2008	103,421	12,961
2009	82,426	7,981
2010	86,324	4,083
Total	\$370,842	\$42,736

**NOTE 21 - INTERFUND TRANSFERS**

During 2006, the General Fund made transfers to other governmental funds, in the amount of \$501,218, to subsidize activities in other funds. Other governmental funds made transfers to other governmental funds, in the amount of \$96,438, for transit and parking operations and, in the amount of \$591,775, as debt payments came due.

**NOTE 22 - INSURANCE POOLS**

**A. Buckeye Ohio Risk Management Agency (BORMA)**

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

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA does not have any outstanding debt obligations as of December 31, 2006. 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, 2006  
(CONTINUED)**

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

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

For 2006, the City participated in the North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members of the Plan. Each member pays its workers' compensation premiums to the State based on the rate from the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 23 - JOINT VENTURES**

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006, the City had met its debt coverage obligation.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The project consists of 138.65 MW of distributed generation (of which 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net assets will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. The City's net obligation for these bonds at December 31, 2006, was \$7,272,828 (including amounts held in the bond fund, previous billings to members, interest payable, and debt service paid and collected).

The City's net investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's net investment in JV2 was \$5,999,479 at December 31, 2006. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV5 debt service and any other outstanding senior lien electric system revenue obligations. Upon dissolution of JV5, the net assets will be shared by the participants on a percentage of ownership basis. As of December 31, 2006, the City had met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, JV5 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting participant's ownership share of the project in kilowatts ("Step Up Power"), provided that the sum of any such increases shall not exceed, without consent of the non-defaulting participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

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

JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001, AMP-Ohio issued \$153,415,000 and \$13,899,981, respectively, of thirty year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the financing participants of JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds were used to construct the JV5 project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates, in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from 2005 through 2024.

The City's net investment and its share of operating results of JV5 are reported in the City's Electric enterprise fund. The City's net investment in JV5 was \$1,699,342 at December 31, 2006. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006, the City had met their debt coverage obligation.

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(CONTINUED)**

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

JV6 was created to provide for low-polluting capacity electricity through wind energy. The project consists of four wind turbines with a nominal capacity of 1.8 MW and related facilities. Upon dissolution of JV6, the net assets will be shared by the participants on a percentage of ownership basis. JV6 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2004, AMP-Ohio issued \$9,861,000 of fifteen year adjustable rate bonds on behalf of the financing participants of JV6. The proceeds of the bond issue were contributed to JV6. The City's net obligation for these bonds at December 31, 2006, was \$4,807,922.

The City's net investment and its share of the operating results of JV6 are reported in the City's Electric enterprise fund. The City's net investment in JV6 was \$5,004,926 at December 31, 2006. Complete financial statements for JV6 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**NOTE 24 - JOINTLY GOVERNED ORGANIZATION**

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

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

**NOTE 25 - CONTINGENT LIABILITIES**

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

For the period January 1, 2006, to December 31, 2006, 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**

**Comparative Statement of Fund Net Assets  
Enterprise Funds  
December 31, 2006, and 2005**

	Electric		Water	
	2006	2005	2006	2005
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,806,710	\$3,496,906	\$4,665,934	\$4,528,525
Cash and Cash Equivalents with Fiscal Agents	1,432,276	1,784,867		
Accounts Receivable	3,519,358	4,481,473	377,990	338,104
Accrued Interest Receivable	4,193	199	32,750	13,015
Due from Other Governments	1,723		974	
Other Local Taxes Receivable	127,172			
Interfund Receivable	105,558	51,884	8,597	22,816
Prepaid Items	37,533	36,990	20,099	27,066
Materials and Supplies Inventory	825,358	766,330	124,309	130,323
<u>Restricted Assets</u>				
Cash and Cash Equivalents with Escrow Agents			15,146	29,155
<b>Total Current Assets</b>	<b>9,859,881</b>	<b>10,618,649</b>	<b>5,245,799</b>	<b>5,089,004</b>
<u>Non-Current Assets</u>				
Unamortized Bond Issuance Cost	9,090	9,910	14,489	15,104
Nondepreciable Capital Assets	451,543	451,543	309,697	309,697
Depreciable Capital Assets, Net	15,342,592	15,840,300	27,941,864	27,230,518
Investment in Joint Venture	12,703,747	12,833,349		
<b>Total Non-Current Assets</b>	<b>28,506,972</b>	<b>29,135,102</b>	<b>28,266,050</b>	<b>27,555,319</b>
<b>Total Assets</b>	<b>38,366,853</b>	<b>39,753,751</b>	<b>33,511,849</b>	<b>32,644,323</b>
<u>Current Liabilities</u>				
Accrued Wages Payable	79,686	79,217	47,911	44,219
Accounts Payable	2,404,475	6,248,220	108,313	163,359
Due to Other Governments	89,508	95,360	49,338	48,001
Interfund Payable	125,187	136,908	4,669	7,210
Accrued Interest Payable	15,418	16,627	2,614	2,725
Notes Payable	4,916,000	5,471,000		
Retainage Payable			15,146	29,155
General Obligation Bonds Payable	60,000	60,000	50,000	45,000
Compensated Absences Payable	117,702	118,726	61,938	62,106
Capital Leases Payable			48,044	
AMP Ohio Payable	757,031	769,416		
<b>Total Current Liabilities</b>	<b>8,565,007</b>	<b>12,995,474</b>	<b>387,973</b>	<b>401,775</b>
<u>Non-Current Liabilities</u>				
General Obligation Bonds Payable	611,455	672,037	1,020,287	1,070,724
Compensated Absences Payable	234,438	220,041	175,840	160,446
Capital Leases Payable			158,880	
AMP Ohio Payable	11,323,719	12,080,751		
<b>Total Non-Current Liabilities</b>	<b>12,169,612</b>	<b>12,972,829</b>	<b>1,355,007</b>	<b>1,231,170</b>
<b>Total Liabilities</b>	<b>20,734,619</b>	<b>25,968,303</b>	<b>1,742,980</b>	<b>1,632,945</b>
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	10,215,770	10,098,716	26,988,839	26,439,595
Unrestricted	7,416,464	3,686,732	4,780,030	4,571,783
<b>Total Net Assets</b>	<b>\$17,632,234</b>	<b>\$13,785,448</b>	<b>\$31,768,869</b>	<b>\$31,011,378</b>

Sewer		Totals	
2006	2005	2006	2005
\$3,366,925	\$3,210,472	\$11,839,569	\$11,235,903
		1,432,276	1,784,867
447,865	479,060	4,345,213	5,298,637
38,596	2,958	75,539	16,172
1,048		3,745	
		127,172	
37,886	46,624	152,041	121,324
30,899	27,066	88,531	91,122
64,496	57,105	1,014,163	953,758
		15,146	29,155
<u>3,987,715</u>	<u>3,823,285</u>	<u>19,093,395</u>	<u>19,530,938</u>
50,985	53,240	74,564	78,254
1,338,088	1,957,202	2,099,328	2,718,442
39,503,700	38,456,361	82,788,156	81,527,179
		12,703,747	12,833,349
<u>40,892,773</u>	<u>40,466,803</u>	<u>97,665,795</u>	<u>97,157,224</u>
<u>44,880,488</u>	<u>44,290,088</u>	<u>116,759,190</u>	<u>116,688,162</u>
53,358	51,828	180,955	175,264
22,620	148,548	2,535,408	6,560,127
57,105	56,443	195,951	199,804
63,199	38,006	193,055	182,124
9,197	9,604	27,229	28,956
		4,916,000	5,471,000
		15,146	29,155
170,000	165,000	280,000	270,000
68,954	71,100	248,594	251,932
50,627	48,362	98,671	48,362
		757,031	769,416
<u>495,060</u>	<u>588,891</u>	<u>9,448,040</u>	<u>13,986,140</u>
3,596,202	3,767,803	5,227,944	5,510,564
188,837	163,860	599,115	544,347
113,291	163,918	272,171	163,918
		11,323,719	12,080,751
<u>3,898,330</u>	<u>4,095,581</u>	<u>17,422,949</u>	<u>18,299,580</u>
<u>4,393,390</u>	<u>4,684,472</u>	<u>26,870,989</u>	<u>32,285,720</u>
36,962,653	36,321,720	74,167,262	72,860,031
3,524,445	3,283,896	15,720,939	11,542,411
<u>\$40,487,098</u>	<u>\$39,605,616</u>	<u>\$89,888,201</u>	<u>\$84,402,442</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Comparative Statement of Revenues, Expenses, and Change in Fund Net Assets  
Enterprise Funds  
For the Years Ended December 31, 2006, and 2005**

	Electric		Water	
	2006	2005	2006	2005
<u>Operating Revenues</u>				
Charges for Services	\$35,738,899	\$31,491,541	\$3,487,554	\$3,614,950
Other	1,124,601	739,496	88,522	40,683
<b>Total Operating Revenues</b>	<b>36,863,500</b>	<b>32,231,037</b>	<b>3,576,076</b>	<b>3,655,633</b>
<u>Operating Expenses</u>				
Purchased Power	27,646,155	28,236,759		
Plant Operation			505,711	1,343,222
Plant Maintenance			347,268	323,239
Distribution Operation	1,239,252	1,450,278	309,468	429,026
Distribution Maintenance	1,460,581	1,420,668	367,245	426,699
Customer Account Collection	318,552	299,287	107,573	105,032
Administrative and General	1,122,099	1,328,720	741,844	774,649
Information and Technology	5,435		1,812	
Depreciation	1,127,406	1,118,458	927,564	884,081
<b>Total Operating Expenses</b>	<b>32,919,480</b>	<b>33,854,170</b>	<b>3,308,485</b>	<b>4,285,948</b>
<b>Operating Income (Loss)</b>	<b>3,944,020</b>	<b>(1,623,133)</b>	<b>267,591</b>	<b>(630,315)</b>
<u>Non-Operating Revenues (Expenses)</u>				
Grants	8,136	5,497		
Excise Taxes	1,716,093	1,510,011		
Excise Taxes Expense	(1,716,093)	(1,510,011)		
Interest Revenue	228,927	81,370	212,637	126,725
Interest Expense	(204,695)	(172,967)	(44,517)	(45,867)
Investment in Joint Venture	(129,602)	443,364		
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(97,234)</b>	<b>357,264</b>	<b>168,120</b>	<b>80,858</b>
<b>Income (Loss) Before Contributions</b>	<b>3,846,786</b>	<b>(1,265,869)</b>	<b>435,711</b>	<b>(549,457)</b>
<b>Capital Contributions</b>			<b>321,780</b>	<b>496,615</b>
<b>Change in Net Assets</b>	<b>3,846,786</b>	<b>(1,265,869)</b>	<b>757,491</b>	<b>(52,842)</b>
<b>Net Assets Beginning of Year</b>	<b>13,785,448</b>	<b>15,051,317</b>	<b>31,011,378</b>	<b>31,064,220</b>
<b>Net Assets End of Year</b>	<b>\$17,632,234</b>	<b>\$13,785,448</b>	<b>\$31,768,869</b>	<b>\$31,011,378</b>



Sewer		Totals	
2006	2005	2006	2005
\$3,533,094	\$3,622,931	\$42,759,547	\$38,729,422
267,876	327,518	1,480,999	1,107,697
3,800,970	3,950,449	44,240,546	39,837,119
		27,646,155	28,236,759
1,560,211	265,262	2,065,922	1,608,484
469,677	444,100	816,945	767,339
172,852	128,415	1,721,572	2,007,719
405,459	453,651	2,233,285	2,301,018
110,735	109,075	536,860	513,394
1,168,303	1,272,355	3,032,246	3,375,724
1,812		9,059	
1,224,529	1,038,703	3,279,499	3,041,242
5,113,578	3,711,561	41,341,543	41,851,679
(1,312,608)	238,888	2,899,003	(2,014,560)
		8,136	5,497
		1,716,093	1,510,011
		(1,716,093)	(1,510,011)
154,548	86,131	596,112	294,226
(166,693)	(175,591)	(415,905)	(394,425)
		(129,602)	443,364
(12,145)	(89,460)	58,741	348,662
(1,324,753)	149,428	2,957,744	(1,665,898)
2,206,235	3,706,983	2,528,015	4,203,598
881,482	3,856,411	5,485,759	2,537,700
39,605,616	35,749,205	84,402,442	81,864,742
\$40,487,098	\$39,605,616	\$89,888,201	\$84,402,442

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Comparative Statement of Cash Flows  
Enterprise Funds  
For the Years Ended December 31, 2006, and 2005**

	Electric		Water	
	2006	2005	2006	2005
<u>Increases (Decreases) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$36,659,688	\$30,027,287	\$3,461,887	\$3,643,065
Cash Payments for Purchased Power	(31,362,696)	(25,415,734)		
Cash Payments for Plant Operation			(436,917)	(1,462,234)
Cash Payments for Plant Maintenance			(364,166)	(323,592)
Cash Payments for Distribution Operation	(1,219,384)	(1,335,890)	(286,542)	(381,545)
Cash Payments for Distribution Maintenance	(1,551,292)	(1,429,223)	(408,716)	(412,876)
Cash Payments for Customer Account Collection	(328,685)	(293,209)	(109,702)	(111,899)
Cash Payments for Administrative and General	(1,364,236)	(1,494,053)	(799,229)	(751,982)
Cash Received from Other Revenues	1,110,530	729,630	87,548	40,683
Net Cash Provided by (Used for) Operating Activities	<u>1,943,925</u>	<u>788,808</u>	<u>1,144,163</u>	<u>239,620</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Grants	8,136	5,497		
Cash Received from Excise Taxes	1,716,093	1,510,011		
Cash Payments for Excise Tax Distribution	(1,716,093)	(1,510,011)		
Net Cash Provided by Noncapital Financing Activities	<u>8,136</u>	<u>5,497</u>		
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Bond Anticipation Notes	(5,471,000)	(6,056,000)		
Principal Paid on General Obligation Bonds	(60,000)	(60,000)	(45,000)	(45,000)
Principal Paid on Capital Leases			(58,287)	
Principal Paid on AMP-Ohio	(769,417)			
Interest Paid on Bond Anticipation Notes	(180,041)	(141,920)		
Interest Paid on General Obligation Bonds	(25,625)	(27,425)	(44,450)	(45,800)
Interest Paid on Capital Leases				
Proceeds of Bond Anticipation Notes	4,916,000	5,471,000		
Acquisition of Capital Assets	(629,698)	(282,086)	(1,065,928)	(429,264)
Net Cash Proved by (Used for) Capital and Related Financing Activities	<u>(2,219,781)</u>	<u>(1,096,431)</u>	<u>(1,213,665)</u>	<u>(520,064)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	224,933	86,361	192,902	115,402
Net Increase (Decrease) in Cash and Cash Equivalents	(42,787)	(215,765)	123,400	(165,042)
Cash and Cash Equivalents Beginning of Year	<u>5,281,773</u>	<u>5,497,538</u>	<u>4,557,680</u>	<u>4,722,722</u>
Cash and Cash Equivalents End of Year	<u><u>\$5,238,986</u></u>	<u><u>\$5,281,773</u></u>	<u><u>\$4,681,080</u></u>	<u><u>\$4,557,680</u></u>

Sewer		Totals	
2006	2005	2006	2005
\$3,573,027	\$3,483,547	\$43,694,602	\$37,153,899
(1,531,365)	(206,506)	(31,362,696)	(25,415,734)
(484,331)	(463,408)	(1,968,282)	(1,668,740)
(144,127)	(121,129)	(848,497)	(787,000)
(410,566)	(121,129)	(1,650,053)	(1,838,564)
(410,566)	(470,470)	(2,370,574)	(2,312,569)
(110,080)	(125,220)	(548,467)	(530,328)
(1,295,516)	(1,260,481)	(3,458,981)	(3,506,516)
266,828	327,518	1,464,906	1,097,831
(136,130)	1,163,851	2,951,958	2,192,279
		8,136	5,497
		1,716,093	1,510,011
		(1,716,093)	(1,510,011)
		8,136	5,497
	(62,500)	(5,471,000)	(6,118,500)
(165,000)	(165,000)	(270,000)	(270,000)
(48,362)	(73,667)	(106,649)	(73,667)
		(769,417)	
		(180,041)	(141,920)
(156,713)	(161,663)	(226,788)	(234,888)
(9,733)	(13,681)	(9,733)	(13,681)
		4,916,000	5,471,000
553,481	(728,938)	(1,142,145)	(1,440,288)
173,673	(1,205,449)	(3,259,773)	(2,821,944)
118,910	94,082	536,745	295,845
156,453	52,484	237,066	(328,323)
3,210,472	3,157,988	13,049,925	13,378,248
\$3,366,925	\$3,210,472	\$13,286,991	\$13,049,925

(continued)

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**Comparative Statement of Cash Flows  
Enterprise Funds  
For the Years Ended December 31, 2006, and 2005  
(continued)**

	Electric		Water	
	2006	2005	2006	2005
Reconciliation of Operating Income (Loss) to Net Cash <u>Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss)	\$3,944,020	(\$1,623,133)	\$267,591	(\$630,315)
Adjustments to Reconcile Operating Income (Loss) to Net Cash <u>Provided by (Used for) Operating Activities:</u>				
Depreciation	1,127,406	1,118,458	927,564	884,081
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	962,115	(1,439,733)	(39,886)	36,572
Increase in Due from Other Governments	(1,723)		(974)	
Increase in Other Local Taxes Receivable	(127,172)			
(Increase) Decrease in Interfund Receivable	(53,674)	(34,387)	14,219	(8,457)
(Increase) Decrease in Prepaid Items	(543)	4,064	6,967	5,394
(Increase) Decrease in Materials and Supplies Inventory	(59,028)	(103,614)	6,014	41,953
Increase (Decrease) in Accrued Wages Payable	469	(28,476)	3,692	(1,923)
Increase (Decrease) in Accounts Payable	(3,843,745)	3,093,530	(55,046)	(115,553)
Increase (Decrease) in Due to Other Governments	(5,852)	(127,021)	1,337	6,811
Increase (Decrease) in Interfund Payable	(11,721)	4,228	(2,541)	2,740
Increase in Retainage Payable				29,155
Increase (Decrease) in Compensated Absences Payable	13,373	(75,108)	15,226	(10,838)
Net Cash Provided by (Used for) Operating Activities	<u>\$1,943,925</u>	<u>\$788,808</u>	<u>\$1,144,163</u>	<u>\$239,620</u>

Sewer		Totals	
2006	2005	2006	2005
(\$1,312,608)	\$238,888	\$2,899,003	(\$2,014,560)
1,224,529	1,038,703	3,279,499	3,041,242
31,195	(111,207)	953,424	(1,514,368)
(1,048)		(3,745)	
		(127,172)	
8,738	(28,177)	(30,717)	(71,021)
(3,833)	6,247	2,591	15,705
(7,391)	(37,169)	(60,405)	(98,830)
1,530	4,153	5,691	(26,246)
(125,928)	35,511	(4,024,719)	3,013,488
662	10,508	(3,853)	(109,702)
25,193	21,121	10,931	28,089
			29,155
22,831	(14,727)	51,430	(100,673)
<u>(\$136,130)</u>	<u>\$1,163,851</u>	<u>\$2,951,958</u>	<u>\$2,192,279</u>

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct Assistance			
Community Development Block Grants/Entitlement Grant		14.218	\$237,633
		14.218	<u>194,482</u>
Total U.S. Department of Housing and Urban Development			<u><b>432,115</b></u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other than Urbanized Areas	RPT-4087-023-051	20.509	12,535
	RPT-4087-025-061	20.509	198,602
	RPT-0087-024-052	20.509	45,974
	RPT-0087-025-062	20.509	45,974
Total U.S. Department of Transportation			<u><b>303,085</b></u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<i>Passed Through Ohio Department of Development</i>			
State Energy Program	06-12	81.041	<u><b>4,953</b></u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Direct Assistance			
Assistance to Firefighters Grant		97.044	<u><b>208,862</b></u>
<b>Total Federal Awards Expenditures</b>			<u><u><b>\$949,015</b></u></u>

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule) when drawn from HUD. These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2006, the gross amounts of loans outstanding under this program were \$341,880. A court judgment has been filed on a delinquent amount due of \$5,079.64.

A program was established in 2001 to assist our downtown businesses who had experienced business interruption during our downtown revitalization program. These loans were granted for a maximum amount of \$10,000, for a period of 36 months at an interest rate of 3%. No collateral was required for these original working capital loans. Loans repaid, including interest are used to make additional loans. Subsequent loans are subject to certain compliance requirements imposed by HUD and collateralized, but are not included as disbursements on the Schedule. At December 31, 2006, the gross amounts of loans outstanding under this program were \$8,217.

**NOTE C – DOWNPAYMENT ASSISTANCE (HOME) LOAN PROGRAMS**

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

These loans are collateralized by mortgages on the property. At December 31, 2006, the gross amounts of loans outstanding under this program were \$146,778.

**NOTE D - MATCHING REQUIREMENTS**

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

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

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

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# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are not material weaknesses.

We also noted certain matters that we reported to the City's management in a separate letter dated November 8, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-003 through 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 8, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



**Mary Taylor, CPA**  
Auditor of State

November 8, 2007



# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

### Compliance

We have audited the compliance of the City of Bowling Green, Wood County, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Bowling Green complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. In a separate letter to the City's management dated November 8, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated November 8, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

November 8, 2007

**CITY OF BOWLING GREEN  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grants – Entitlement Grants CFDA #14.218 Formula Grants For Other Than Urbanized Areas CFDA #20.509
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>Yes</b>

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Significant Deficiency**

**Park and Recreation Fees**

The fees to be charged by the parks and recreation department are recommended by the Park's Board and approved by City Council. Four percent of pool annual passes, twelve percent of community center daily passes, twelve percent of community center annual passes, and fifty-two percent of rentals tested were not charged at the approved rate. Not charging the approved rates can lead to a loss of revenue and constitutes a fraud risk. We recommend the parks and recreation department implement policies and procedures to assure the approved fees are being charged. It is further recommended that the City include effective dates when adopting new fee schedules.

**Officials Response**

The parks and recreation Director stated an effective date will be made as part of the Park Board approval process and noted in the minutes. Changes in fees will be entered into RecTrac software by the effective date to ensure that front desk staff apply the new rates.

**FINDING NUMBER 2006-002**

**Significant Deficiency**

**Reconciliation of RecTrac to Finance**

The parks and recreation department has purchased a specialized subsidiary accounting software (RecTrac) to support the specialized services offered (i.e., programs, sports, pool passes & admissions, community centers passes & admissions and rentals.) The RecTrac software is set up with the same revenue codes as used in the City's financial accounting system. A net variance of \$2,728 was noted between the revenues posted on the RecTrac software and the revenues posted to the City's financial records and no reconciliation was performed to identify the reasons for the variance. The lack of a proper reconciliation could lead to funds being unaccounted for or posted to the wrong account. We recommend the parks & recreation Director or her designee reconcile the revenues posted to the RecTrac software to the revenues posted to the City's financial records. This reconciliation should be performed on a monthly basis.

**Officials Response**

The parks and recreation Director stated a journal entry form will be created for any necessary adjustments to the classification of deposits. These adjusting entries will be made by only one person within the parks and recreation department on the RecTrac system after approval from the RecTrac administrator. A copy of the journal entry form will be sent to Finance for a matching entry to be completed in the finance New World Systems software. The monthly budget performance reports issued by the finance department will be reviewed and compared against a monthly RecTrac revenue report to confirm that the two systems are in synchronization.

### **FINDING NUMBER 2006-003**

#### **Noncompliance Finding**

Ohio Revised Code § 9.38 states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, a public office may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it.

During 2006, forty-nine percent of the recreation department receipts and twelve percent of the civil division receipts tested were not deposited on the following business day, and the City has not approved a policy allowing any departments to hold receipts beyond the next business day. Noncompliant recreation department receipts were held between two and seventeen days while the noncompliant civil division receipts were held for three to four business days.

Failure to deposit public money with the treasurer of the public office or to a designated depository allows funds to remain on hand and increases the possibility of theft. We recommend the parks and recreation department and the municipal court deposit the public money collected in accordance with the above requirements.

#### **Officials Response**

The parks and recreation Director stated the cash drawer will be counted first thing each day to ensure a consistent beginning balance is present. No checks or currency above the normal standard beginning balance will be permitted.

The Clerk of Courts stated all staff members have been instructed that cash batches cannot remain open and must be closed and balanced daily to enforce the next business day deposit rule. Effective immediately, all cash batches that are opened are to be closed and balanced within the same day with funds transported to the bank by the close of business that day for safeguard purposes. If additional receipts are needed due to night court, a new batch will be opened, receipts written, and then closed and balanced no later than the next morning. The funds will be transmitted to the bank the next morning for deposit on the next business day.

### **FINDING NUMBER 2006-004**

#### **Noncompliance Finding**

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A) (4) states that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**FINDING NUMBER 2006-004  
 (continued)**

We found the following variances that require obtaining decreased amended certificates:

Fund	Estimated Resources	Actual Resources	Deficiency	Estimated Resources in Excess of Appropriations	Actual Resources Less Than Appropriations
<b>As of December 31, 2006</b>					
Parks and Recreation	\$2,095,037	\$1,807,887	(\$287,150)	\$153,876	(\$133,274)
Water and Sewer Capital Improvement	\$8,654,951	\$6,755,042	(\$1,899,909)	\$1,871,067	(\$28,842)

We recommend the City obtain amended certificates as required.

**Officials Response**

The Finance Director will obtain decreased amended certificates when needed.

**FINDING NUMBER 2006-005**

**Finding for Recovery Repaid Under Audit**

The City of Bowling Green, Ohio Code of Ordinances §33.21 states “upon separation from employment, employees shall be paid for all unused personal business leave.”

During fiscal year 2006, David Nutter had accumulated an unused personal leave balance of zero hours. However, his severance was calculated and paid based on a balance of six hours. As a result, Mr. Nutter was overpaid in the amount of \$146.94.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against David Nutter, former employee, and Rebecca Underwood, former Finance Director, and the Finance Director’s bonding company, the Travelers Casualty and Surety Co., jointly and severally, in the amount of \$146.94, and in favor of the City of Bowling Green - Wood County, Electric Fund in the amount of \$146.94.

This finding was repaid by Rebecca Underwood on July 10, 2007 and credited to the City’s Electric Fund.

**Officials Response**

We did not receive a response from officials on this matter.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF BOWLING GREEN**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 13, 2007**