



Dave Yost • Auditor of State

**CITY OF BOWLING GREEN
WOOD COUNTY**

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Dave Yost • 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, 2010, 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, 2010, 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.

As described in Note 3 to the basic financial statements, the City adopted Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The comparative enterprise fund financial statements listed in the table of contents provides additional analysis and is not a required part of the basic financial statements. The federal awards expenditure schedule provides additional information required by the 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. The comparative enterprise fund financial statements and the federal awards expenditure schedule are management's responsibility, and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 20, 2011

**City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited**

The discussion and analysis of the City of Bowling Green's (the City's) financial performance provides an overview of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2010 are as follows:

In total, the City's net assets increased \$13,316,347, or over 9 percent, due almost entirely to the increase for business-type activities (governmental activities increased less than 1 percent, business-type activities increased 12 percent).

A review of the enterprise funds reflects an operating income for the Electric Fund and an operating loss for the Water Fund and Sewer Fund. However, the Water and Sewer funds had increases in net assets due to capital contributions.

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. Of the one and one-half percent income tax that is divided by ordinance between various funds, the Sewer and Water Improvement fund receives 33.3 percent of the proceeds.

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 2010. 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
Management's Discussion and Analysis
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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
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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 2010 and 2009.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Assets</u>						
Current and Other Assets	\$23,604,031	\$25,370,994	\$30,408,588	\$26,034,388	\$54,012,619	\$51,405,382
Capital Assets, Net	47,506,141	42,882,641	105,752,819	97,051,140	153,258,960	139,933,781
Investment in Joint Venture			11,100,305	11,390,801	11,100,305	11,390,801
Total Assets	<u>71,110,172</u>	<u>68,253,635</u>	<u>147,261,712</u>	<u>134,476,329</u>	<u>218,371,884</u>	<u>202,729,964</u>
<u>Liabilities</u>						
Current and Other Liabilities	5,380,308	6,497,782	7,259,903	6,424,150	12,640,211	12,921,932
Long-Term Liabilities	31,680,658	27,794,321	13,967,671	15,246,714	45,648,329	43,041,035
Total Liabilities	<u>37,060,966</u>	<u>34,292,103</u>	<u>21,227,574</u>	<u>21,670,864</u>	<u>58,288,540</u>	<u>55,962,967</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	37,500,159	34,345,954	98,929,364	89,439,148	136,429,523	123,785,102
Restricted	11,452,678	11,374,921			11,452,678	11,374,921
Unrestricted (Deficit)	(14,903,631)	(11,759,343)	27,104,774	23,366,317	12,201,143	11,606,974
Total Net Assets	<u>\$34,049,206</u>	<u>\$33,961,532</u>	<u>\$126,034,138</u>	<u>\$112,805,465</u>	<u>\$160,083,344</u>	<u>\$146,766,997</u>

**City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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(Continued)**

As reflected in the above table, the change in net assets for governmental activities was minimal, less than 1 percent. However, there was a decrease in current and other assets of \$1.7 million, of which \$1.4 million was in cash and cash equivalents. These resources were used for the payment of construction contracts as reflected in the decrease in current and other liabilities. A substantial portion of the increase in net capital assets and invested in capital assets is due to a contribution of land and a building valued at approximately \$3.9 million. Long-term liabilities increased as a result of additional debt issued for street improvements as well as an increase in Ohio Water Development Authority (OWDA) loans for various projects. The increase in OWDA debt is not related to governmental activities capital assets, therefore, decreases unrestricted net assets.

Business-type activities reflect an increase in net assets of over \$13 million (12 percent). Note the \$4.4 million increase in current and other assets as well as the increase in unrestricted net assets. The Electric Fund had an increase in user rates (ranging from \$0-\$3/customer service charge plus various kilowatt usage ranges) as well as adjustments to the power cost adjustment factor. The Water Fund also had a rate increase which varied by user class/type. The increase in net capital assets and invested in capital assets was primarily due to assets contributed to the Water and Sewer funds from governmental funds. The increase in current and other liabilities is primarily due to the over recovery of purchase of power costs. A substantial portion of the decrease in long-term liabilities is due to principal payments related to the AMP-Ohio debt as over \$989,000 was paid in 2010.

Table 2 reflects the change in net assets for 2010 and 2009.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$4,047,565	\$3,997,485	\$52,871,599	\$46,792,122	\$56,919,164	\$50,789,607
Operating Grants, Contributions, and Interest	2,688,458	2,122,568	20,000		2,708,458	2,122,568
Capital Grants and Contributions	8,088,769	322,476			8,088,769	322,476
Total Program Revenues	<u>14,824,792</u>	<u>6,442,529</u>	<u>52,891,599</u>	<u>46,792,122</u>	<u>67,716,391</u>	<u>53,234,651</u>
General Revenues						
Property Taxes-General Purposes	1,618,567	1,652,516			1,618,567	1,652,516
Property Taxes-Playground and Recreation	554,603	561,753			554,603	561,753
Municipal Income Taxes	14,316,282	14,271,987			14,316,282	14,271,987
Other Local Taxes	1,896,077	1,854,001			1,896,077	1,854,001
Grants and Entitlements not Restricted to Specific Programs	1,840,856	2,958,426			1,840,856	2,958,426
Franchise Taxes	297,554	286,815			297,554	286,815
Interest	443,558	552,431	15,621	196,244	459,179	748,675
Other	425,285	396,758	1,250,707	1,269,549	1,675,992	1,666,307
Total General Revenues	<u>21,392,782</u>	<u>22,534,687</u>	<u>1,266,328</u>	<u>1,465,793</u>	<u>22,659,110</u>	<u>24,000,480</u>
Total Revenues	<u>36,217,574</u>	<u>28,977,216</u>	<u>54,157,927</u>	<u>48,257,915</u>	<u>90,375,501</u>	<u>77,235,131</u>

(continued)

**City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)**

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Expenses						
Security of Persons and Property						
Police	\$5,720,461	\$5,778,804			\$5,720,461	\$5,778,804
Fire/Ambulance	5,647,076	5,686,755			5,647,076	5,686,755
Public Health	87,516	90,609			87,516	90,609
Leisure Time Activities	1,952,030	1,925,383			1,952,030	1,925,383
Community Environment	1,349,716	1,059,557			1,349,716	1,059,557
Basic Utility Services	652,542	4,041,167			652,542	4,041,167
Transportation	5,578,365	5,895,352			5,578,365	5,895,352
General Government						
Court	1,688,505	1,745,655			1,688,505	1,745,655
Other	3,416,020	3,255,674			3,416,020	3,255,674
Internal Service Fund External Portion	37,423	45,537			37,423	45,537
Interest and Fiscal Charges						
Electric			\$41,073,980	\$39,049,240	41,073,980	39,049,240
Water			4,207,577	4,556,673	4,207,577	4,556,673
Sewer			4,701,151	5,074,636	4,701,151	5,074,636
Total Expenses	27,076,446	30,416,743	49,982,708	48,680,549	77,059,154	79,097,292
Increase (Decrease) in Net Assets Before Transfers	9,141,128	(1,439,527)	4,175,219	(422,634)	13,316,347	(1,862,161)
Transfers	(9,053,454)	(9,096,336)	9,053,454	9,096,336		
Increase (Decrease) in Net Assets	87,674	(10,535,863)	13,228,673	8,673,702	13,316,347	(1,862,161)
Net Assets Beginning of Year	33,961,532	44,497,395	112,805,465	104,131,763	146,766,997	148,629,158
Net Assets End of Year	\$34,049,206	\$33,961,532	\$126,034,138	\$112,805,465	\$160,083,344	\$146,766,997

For governmental activities, program revenues increased substantially (over 130 percent). A large portion of this increase was due to the \$3.9 million contribution of land and a building. The City also received capital grants for a reverse osmosis project and improvements on North Main Street. General revenues were fairly similar to the prior year.

For expenses, there was an 11 percent decrease from 2009, which is primarily reflected in the basic utilities program. This decrease was related to a decrease in maintenance costs and professional services for items the City did not capitalize as amounts for items were either below the City's threshold or not capital in nature. The City's largest governmental activities expenses continue to be related to the police and fire departments, combining for 42 percent of overall expenses.

As expected, program revenues make up a significant portion of the total revenues for business-type activities (98 percent). The \$6 million increase in charges for services is generally due to the rate increases for electric and water services as mentioned previously.

Expenses for business-type activities reflect a modest increase from the prior year (less than 3 percent).

**City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)**

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	
	2010	2009	2010	2009
Security of Persons and Property				
Police	\$5,720,461	\$5,778,804	\$5,416,686	\$5,488,716
Fire/Ambulance	5,647,076	5,686,755	5,214,059	5,298,151
Public Health	87,516	90,609	47,498	44,976
Leisure Time Activities	1,952,030	1,925,383	(2,853,907)	788,799
Community Environment	1,349,716	1,059,557	519,408	662,727
Basic Utility Services	652,542	4,041,167	(1,943,077)	3,964,887
Transportation	5,578,365	5,895,352	2,055,682	3,909,553
General Government				
Court	1,688,505	1,745,655	(328,786)	(86,636)
Other	3,416,020	3,255,674	3,177,913	3,003,125
Internal Service Fund External Portion	37,423	45,537	(614)	7,666
Interest and Fiscal Charges	946,792	892,250	946,792	892,250
Total Expenses	<u>\$27,076,446</u>	<u>\$30,416,743</u>	<u>\$12,251,654</u>	<u>\$23,974,214</u>

For 2010, there was a substantial increase in program revenues (due to the significant increase in capital grants and contributions), therefore, far less costs had to be provided for through general revenues (primarily property taxes, income taxes, and unrestricted grants and entitlements). However, this situation is quite unusual for governmental activities. Note that general revenues provide for most of the costs of providing police, fire, and ambulance services (94 percent paid from general revenues). The programs receiving significant support through program revenues in 2010 included the leisure time activities program, which is supported through admission and sports fees, rentals, and concession charges and, in 2010, a \$3.9 million capital contribution of land and a building. The community environment program received additional grant resources through the Ohio Department of Development for neighborhood stabilization efforts. The basic utility services program received capital grants for a reverse osmosis project. The transportation program receives charges for services in the form of permissive motor vehicle license monies and operating grants in the form of State levied motor vehicle license fees and gas taxes and, for 2010, capital grants for improvements on North Main Street. The municipal court receives substantial support through fines, costs, and fees as well as some support through grant resources.

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 2010, the General Fund had a 9 percent increase in fund balance. Both revenues and expenditures were very similar to the prior year; however, far fewer resources were required to subsidize activities in other funds in 2010.

**City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)**

The Playground and Recreation Fund had a decrease in fund balance of almost 12 percent. Revenues were similar to those of the prior year and expenditures increased somewhat; however, this fund received no General Fund subsidy in 2010. In the prior year, this subsidy was over \$71,000.

Fund balance in the Sewer and Water Improvement Fund increased over 14 percent and due, in large part, to additional loan proceeds from the Ohio Water Development Authority.

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 Fund, while the Water and Sewer funds had operating losses again in 2010. Net assets increased over 18 percent in the Electric Fund. Expenses were similar to the prior year; however, revenues increased \$5.5 million. As indicated earlier, the Electric Fund had a rate increase in 2010.

Despite operating losses in both the Water and Sewer funds, both reflect an increase in net assets of 16 percent and 4 percent, respectively. 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 2010, capital asset contributions from the Sewer and Water Improvement capital projects fund were \$6,557,298 in the Water Fund and \$2,496,156 in the Sewer Fund.

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. The same can be said for expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2010, was \$37,500,159 and \$98,929,364, 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 for 2010 consisted primarily of the contribution of land and a building and of street improvements. The most significant additions for business-type activities were an increase in construction in progress on various water and sewer projects, a new hydraulically designed water intake at the water plant, building improvements at the wastewater treatment plant, and improvements to electric, water, and lines. For further information regarding the City's capital assets, refer to Note 10 to the basic financial statements.

**City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)**

Debt - At December 31, 2010, the City had \$2,200,000 in outstanding bond anticipation notes, \$7,983,858 in general obligation bonds, and \$19,810,500 in OWDA loans payable from governmental activities. Business-type activities had \$2,475,000 in bond anticipation notes and \$4,351,831 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$8,524,247, 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 17, 18, and 19 to the basic financial statements.

CURRENT ISSUES

Several large utility projects were completed during 2010. These projects included a new hydraulically designed water intake at the existing Maumee River location and a filtration and disinfection project at the wastewater treatment plant. The total project cost was \$5.5 million and was paid from the Sewer and Water Improvement capital projects fund through a combination of cash on hand and a loan from the Ohio Water Development Authority. Additionally, changes to the filtration system and the ultra violet disinfection units at the wastewater treatment plant were started in 2008 and completed in 2010. This \$4.6 million project was also financed with an Ohio Water Development Authority loan and an Ohio Public Works Commission Grant.

Kevin Maynard, Utility Director for the City for nearly six years, retired at the end of May 2011. Brian O'Connell, the City Engineer, was selected as the new Utility Director to follow Mr. Maynard. Mr. O'Connell has been with the City since November 2004.

The City is beginning a major road widening project on North Main Street designed to add a center turn lane. Funding for the project will come from federal stimulus funds as well as a local contribution. In March 2010, the City borrowed \$2.2 million in bond anticipation notes to finance the local share of the project. The note was renewed and increased in March 2011 to \$3.5 million. This will be used for project startup costs, to acquire right of way, and to help fund the City's share of the construction. Completion of the project is expected in 2012 or 2013.

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
Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$13,959,536	\$21,679,290	\$35,638,826
Cash and Cash Equivalents in Segregated Accounts	1,540		1,540
Cash and Cash Equivalents with Escrow Agents	396,442		396,442
Cash and Cash Equivalents with Fiscal Agents		1,387,560	1,387,560
Accounts Receivable	602,257	5,869,343	6,471,600
Accrued Interest Receivable	131,503		131,503
Due from Other Governments	1,765,553	1,205	1,766,758
Municipal Income Taxes Receivable	3,137,608		3,137,608
Other Local Taxes Receivable	49,721	132,155	181,876
Internal Balances	85,857	(85,857)	
Prepaid Items	79,829	79,830	159,659
Materials and Supplies Inventory		1,286,148	1,286,148
Property Taxes Receivable	2,276,472		2,276,472
Notes Receivable	526,040		526,040
Special Assessments Receivable	487,655		487,655
Unamortized Bond Issuance Cost	104,018	58,914	162,932
Nondepreciable Capital Assets	4,780,064	22,730,296	27,510,360
Depreciable Capital Assets, Net	42,726,077	83,022,523	125,748,600
Investment in Joint Venture		11,100,305	11,100,305
Total Assets	71,110,172	147,261,712	218,371,884
<u>Liabilities</u>			
Accrued Wages Payable	361,671	176,432	538,103
Accounts Payable	565,073	2,454,578	3,019,651
Contracts Payable	590,640		590,640
Recovered Purchased Power Payable		1,954,465	1,954,465
Matured Compensated Absences Payable	88,595		88,595
Due to Other Governments	773,991	172,159	946,150
Accrued Interest Payable	50,213	27,269	77,482
Notes Payable		2,475,000	2,475,000
Deferred Revenue	2,185,643		2,185,643
Retainage Payable	764,482		764,482
Long-Term Liabilities			
Due Within One Year	4,195,473	1,684,229	5,879,702
Due in More Than One Year	27,485,185	12,283,442	39,768,627
Total Liabilities	37,060,966	21,227,574	58,288,540
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	37,500,159	98,929,364	136,429,523
Restricted for			
Debt Service	528,870		528,870
Capital Projects	6,624,365		6,624,365
Street Maintenance and Repair	961,462		961,462
Community Development	798,375		798,375
Security of Persons and Property - Police	892,692		892,692
Security of Persons and Property - Fire	320,981		320,981
Other Purposes	1,325,933		1,325,933
Unrestricted (Deficit)	(14,903,631)	27,104,774	12,201,143
Total Net Assets	\$34,049,206	\$126,034,138	\$160,083,344

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$5,720,461	\$248,386	\$55,389	
Fire/Ambulance	5,647,076	433,017		
Public Health	87,516	40,018		
Leisure Time Activities	1,952,030	724,852	103,373	\$3,977,712
Community Environment	1,349,716	18,172	812,136	
Basic Utility Services	652,542	485		2,595,134
Transportation	5,578,365	660,290	1,346,470	1,515,923
General Government				
Court	1,688,505	1,646,201	371,090	
Other	3,416,020	238,107		
Internal Service Fund				
External Portion	37,423	38,037		
Interest and Fiscal Charges	946,792			
Total Governmental Activities	27,076,446	4,047,565	2,688,458	8,088,769
<u>Business-Type Activities</u>				
Electric	41,073,980	45,576,905		
Water	4,207,577	3,688,485		
Sewer	4,701,151	3,606,209	20,000	
Total Business-Type Activities	49,982,708	52,871,599	20,000	
Total	\$77,059,154	\$56,919,164	\$2,708,458	\$8,088,769

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Playground and Recreation
Municipal Income Taxes Levied for General Purposes
Municipal Income Taxes Levied for Playground and Recreation
Municipal Income Taxes Levied for Police and Fire
Municipal Income Taxes Levied for Sewer and Water Improvement
Municipal Income Taxes Levied for Capital Improvements
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 - Restated (Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$5,416,686)		(\$5,416,686)
(5,214,059)		(5,214,059)
(47,498)		(47,498)
2,853,907		2,853,907
(519,408)		(519,408)
1,943,077		1,943,077
(2,055,682)		(2,055,682)
328,786		328,786
(3,177,913)		(3,177,913)
614		614
(946,792)		(946,792)
(12,251,654)		(12,251,654)
	\$4,502,925	4,502,925
	(519,092)	(519,092)
	(1,074,942)	(1,074,942)
	2,908,891	2,908,891
(12,251,654)	2,908,891	(9,342,763)
1,618,567		1,618,567
554,603		554,603
5,674,821		5,674,821
378,308		378,308
2,966,637		2,966,637
3,783,200		3,783,200
1,513,316		1,513,316
1,896,077		1,896,077
1,840,856		1,840,856
297,554		297,554
443,558	15,621	459,179
425,285	1,250,707	1,675,992
21,392,782	1,266,328	22,659,110
(9,053,454)	9,053,454	
12,339,328	10,319,782	22,659,110
87,674	13,228,673	13,316,347
33,961,532	112,805,465	146,766,997
<u>\$34,049,206</u>	<u>\$126,034,138</u>	<u>\$160,083,344</u>

City of Bowling Green
Balance Sheet
Governmental Funds
December 31, 2010

	General	Playground and Recreation	Sewer and Water Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,864,891	\$536,824	\$3,630,963	\$6,732,963	\$13,765,641
Cash and Cash Equivalents in Segregated Accounts				1,540	1,540
Accounts Receivable	600,964			260	601,224
Accrued Interest Receivable	131,503				131,503
Due from Other Governments	1,113,110	73,842	95,038	483,563	1,765,553
Municipal Income Taxes Receivable	1,225,548	81,622	816,952	1,013,486	3,137,608
Other Local Taxes Receivable	36,696			13,025	49,721
Interfund Receivable	295,132				295,132
Prepaid Items	79,829				79,829
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	51,746				51,746
Cash and Cash Equivalents with Escrow Agents			396,442		396,442
Property Taxes Receivable	1,696,468	580,004			2,276,472
Notes Receivable				526,040	526,040
Special Assessments Receivable				487,655	487,655
Total Assets	\$8,095,887	\$1,272,292	\$4,939,395	\$9,258,532	\$23,566,106
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$247,433	\$23,212		\$81,577	\$352,222
Accounts Payable	322,682	28,755	\$63,914	149,365	564,716
Contracts Payable		74,052	454,888	61,700	590,640
Matured Compensated Absences Payable	88,595				88,595
Due to Other Governments	479,955	33,424		252,361	765,740
Interfund Payable	39,601	174,388	4,110	7,417	225,516
Deferred Revenue	3,861,796	681,667	433,294	1,415,500	6,392,257
Retainage Payable		5,365	362,675		368,040
Payable from Restricted Assets					
Retainage Payable			396,442		396,442
Total Liabilities	5,040,062	1,020,863	1,715,323	1,967,920	9,744,168
<u>Fund Balance</u>					
Nonspendable	195,729				195,729
Restricted	51,746	251,429	3,224,072	5,961,042	9,488,289
Committed	324,840			1,253,703	1,578,543
Assigned	166,691			75,867	242,558
Unassigned	2,316,819				2,316,819
Total Fund Balance	3,055,825	251,429	3,224,072	7,290,612	13,821,938
Total Liabilities and Fund Balance	\$8,095,887	\$1,272,292	\$4,939,395	\$9,258,532	\$23,566,106

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
 Reconciliation of Total Governmental Fund Balance
 to Net Assets of Governmental Activities
 December 31, 2010

Total Governmental Fund Balance \$13,821,938

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	47,506,141	
Internal Service Fund	(15,294)	
		47,490,847

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

Accounts Receivable	165,887	
Accrued Interest Receivable	117,364	
Due from Other Governments	1,216,085	
Municipal Income Taxes Receivable	1,683,237	
Other Local Taxes Receivable	16,643	
Property Taxes Receivable	98,264	
Special Assessments Receivable	909,134	
		4,206,614

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (9,688)

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 104,018

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

Accrued Interest Payable	(50,213)	
Notes Payable	(2,200,000)	
General Obligation Bonds Payable	(7,983,858)	
OWDA Loans Payable	(19,810,500)	
Compensated Absences Payable	(1,686,300)	
		(31,730,871)

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. 166,348

Net Assets of Governmental Activities \$34,049,206

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Playground and Recreation	Sewer and Water Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,633,543	\$559,320			\$2,192,863
Municipal Income Taxes	5,824,843	388,298	\$3,883,203	\$4,604,015	14,700,359
Other Local Taxes	2,227,602			170,500	2,398,102
Special Assessments				51,125	51,125
Charges for Services	1,721,612	724,852		188,903	2,635,367
Fees, Licenses, and Permits	21,129			12,558	33,687
Fines and Forfeitures	841,182			281,064	1,122,246
Intergovernmental	2,139,777	117,460	2,626,298	3,652,375	8,535,910
Interest	402,041			66,859	468,900
Other	268,869	94,600	9,022	50,112	422,603
Total Revenues	15,080,598	1,884,530	6,518,523	9,077,511	32,561,162
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	4,098,298			1,416,865	5,515,163
Fire	3,009,311			2,228,855	5,238,166
Ambulance	97,855				97,855
Public Health	66,711			13,951	80,662
Leisure Time Activities		1,896,829			1,896,829
Community Environment	578,565			758,320	1,336,885
Basic Utility Services	649,966				649,966
Transportation	1,978,403		46,090	5,032,934	7,057,427
General Government					
Court	1,337,441			188,990	1,526,431
Other	2,906,920	21,514	215,335	86,184	3,229,953
Capital Outlay			8,422,291	602,427	9,024,718
Debt Service					
Principal Retirement	60,000		3,602,374	1,480,000	5,142,374
Interest and Fiscal Charges	15,912		553,121	372,287	941,320
Total Expenditures	14,799,382	1,918,343	12,839,211	12,180,813	41,737,749
Excess of Revenues Over (Under) Expenditures	281,216	(33,813)	(6,320,688)	(3,103,302)	(9,176,587)
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets				3,000	3,000
Notes Issued				2,200,000	2,200,000
OWDA Loans Issued			6,733,616		6,733,616
Transfers In				1,063,628	1,063,628
Transfers Out	(21,240)			(1,042,388)	(1,063,628)
Total Other Financing Sources (Uses)	(21,240)		6,733,616	2,224,240	8,936,616
Change in Fund Balance	259,976	(33,813)	412,928	(879,062)	(239,971)
Fund Balance Beginning of Year - Restated (Note 3)	2,795,849	285,242	2,811,144	8,169,674	14,061,909
Fund Balance End of Year	\$3,055,825	\$251,429	\$3,224,072	\$7,290,612	\$13,821,938

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2010

Change in Fund Balance - Total Governmental Funds (\$239,971)

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

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

Capital Outlay	3,760,665	
Capital Contributions	3,977,712	
Depreciation	(3,114,877)	
Depreciation - Internal Service Fund	<u>4,481</u>	
		4,627,981

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

Sale of Capital Assets	(3,000)	
Gain on Disposal of Capital Assets	<u>3,000</u>	

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

Property Taxes	(19,693)	
Municipal Income Taxes	(384,077)	
Other Local Taxes	(33,971)	
Special Assessments	(37,917)	
Charges for Services	25,386	
Fines and Forfeitures	9,134	
Intergovernmental	39,372	
Interest	39,747	
Other	<u>(318)</u>	
		(362,337)

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

Notes Payable	800,000	
General Obligation Bonds Payable	740,000	
OWDA Loans Payable	<u>3,602,374</u>	
		5,142,374

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

Bond Anticipation Notes Issued	(2,200,000)	
OWDA Loans Issued	<u>(6,733,616)</u>	
		(8,933,616)

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

Accrued Interest Payable	(2,777)	
Amortization of Premium	<u>6,600</u>	
		3,823

Issuance costs are reported as an expenditure when paid in governmental funds but are amortized over the life of the debt on the statement of activities. (\$9,295)

(continued)

City of Bowling Green
 Reconciliation of Statement of Revenues, Expenditures,
 and Change in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2010
 (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	(101,695)	
Compensated Absences Payable - Internal Service Fund	<u>(45,180)</u>	
		(\$146,875)

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.

4,976

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.

614

Change in Net Assets of Governmental Activities

\$87,674

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,635,943	\$1,825,787	\$1,633,543	(\$192,244)
Municipal Income Taxes	5,680,913	5,680,913	5,757,899	76,986
Other Local Taxes	445,000	2,184,000	2,206,114	22,114
Charges for Services	3,200,375	1,461,375	1,717,421	256,046
Fees, Licenses, and Permits	21,100	21,100	21,129	29
Fines and Forfeitures	771,000	771,000	851,261	80,261
Intergovernmental	1,964,539	1,964,539	2,301,597	337,058
Interest	400,000	400,000	440,371	40,371
Other	76,096	216,500	268,869	52,369
Total Revenues	14,194,966	14,525,214	15,198,204	672,990
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	4,052,201	4,126,590	4,109,983	16,607
Fire	2,703,381	3,022,588	3,014,233	8,355
Ambulance	107,063	98,945	97,354	1,591
Public Health	76,227	76,161	66,967	9,194
Community Environment	651,481	651,481	579,878	71,603
Basic Utility Services	678,743	678,743	642,810	35,933
Transportation	2,434,160	2,347,305	2,082,600	264,705
General Government				
Court	1,480,156	1,480,156	1,378,509	101,647
Other	3,083,518	2,978,848	2,836,425	142,423
Other	12,000	12,000	1,109	10,891
Debt Service				
Principal Retirement	60,000	60,000	60,000	
Interest and Fiscal Charges	15,912	15,912	15,912	
Total Expenditures	15,354,842	15,548,729	14,885,780	662,949
Excess of Revenues Over (Under) Expenditures	(1,159,876)	(1,023,515)	312,424	1,335,939
<u>Other Financing Sources (Uses)</u>				
Advances In	30,000	30,000	30,000	
Transfers Out	(21,240)	(21,240)	(21,240)	
Total Other Financing Sources (Uses)	8,760	8,760	8,760	
Change in Fund Balance	(1,151,116)	(1,014,755)	321,184	1,335,939
Fund Balance Beginning of Year	2,170,368	2,170,368	2,170,368	
Prior Year Encumbrances Appropriated	197,056	197,056	197,056	
Fund Balance End of Year	\$1,216,308	\$1,352,669	\$2,688,608	\$1,335,939

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$632,072	\$632,072	\$559,320	(\$72,752)
Municipal Income Taxes	378,349	378,713	383,840	5,127
Charges for Services	687,700	687,700	726,842	39,142
Intergovernmental	150,454	150,454	117,460	(32,994)
Other	71,517	91,150	79,540	(11,610)
Total Revenues	1,920,092	1,940,089	1,867,002	(73,087)
<u>Expenditures</u>				
Current:				
Leisure Time Activities	1,981,329	2,036,329	1,928,877	107,452
Other	21,099	22,431	20,926	1,505
Total Expenditures	2,002,428	2,058,760	1,949,803	108,957
Change in Fund Balance	(82,336)	(118,671)	(82,801)	35,870
Fund Balance Beginning of Year	409,121	409,121	409,121	
Prior Year Encumbrances Appropriated	72,833	72,833	72,833	
Fund Balance End of Year	\$399,618	\$363,283	\$399,153	\$35,870

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fund Net Assets
Proprietary Funds
December 31, 2010

	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	\$15,136,938	\$3,985,887	\$2,556,465	\$21,679,290	\$142,149
Cash and Cash Equivalents with Fiscal Agents	1,387,560			1,387,560	
Accounts Receivable	5,110,199	385,151	373,993	5,869,343	1,033
Due from Other Governments	50	120	1,035	1,205	
Other Local Taxes Receivable	132,155			132,155	
Interfund Receivable	11,344	9,529	26,388	47,261	26,154
Prepaid Items	26,610	26,610	26,610	79,830	
Materials and Supplies Inventory	1,041,462	143,419	101,267	1,286,148	
Total Current Assets	22,846,318	4,550,716	3,085,758	30,482,792	169,336
<u>Non-Current Assets</u>					
Unamortized Bond Issuance Cost	5,741	11,756	41,417	58,914	
Nondepreciable Capital Assets	3,241,979	15,806,429	3,681,888	22,730,296	
Depreciable Capital Assets, Net	14,099,198	25,929,699	42,993,626	83,022,523	15,294
Investment in Joint Venture	11,100,305			11,100,305	
Total Non-Current Assets	28,447,223	41,747,884	46,716,931	116,912,038	15,294
Total Assets	51,293,541	46,298,600	49,802,689	147,394,830	184,630
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	75,255	51,273	49,904	176,432	9,449
Accounts Payable	2,315,815	79,295	59,468	2,454,578	357
Recovered Purchased Power Payable	1,954,465			1,954,465	
Due to Other Governments	84,460	43,636	44,063	172,159	8,251
Interfund Payable	126,474	5,820	10,512	142,806	225
Accrued Interest Payable	13,329	3,081	10,859	27,269	
Notes Payable	2,475,000			2,475,000	
General Obligation Bonds Payable	65,000	55,000	185,000	305,000	
Compensated Absences Payable	148,389	83,203	96,874	328,466	
Capital Leases Payable		55,538		55,538	
AMP Ohio Payable	995,225			995,225	
Total Current Liabilities	8,253,412	376,846	456,680	9,086,938	18,282
<u>Non-Current Liabilities</u>					
General Obligation Bonds Payable	359,077	813,346	2,874,408	4,046,831	
Compensated Absences Payable	325,380	185,182	197,027	707,589	
AMP Ohio Payable	7,529,022			7,529,022	
Total Non-Current Liabilities	8,213,479	998,528	3,071,435	12,283,442	
Total Liabilities	16,466,891	1,375,374	3,528,115	21,370,380	18,282
<u>Net Assets</u>					
Invested in Capital Assets, Net of Related Debt	14,447,841	40,824,000	43,657,523	98,929,364	15,294
Unrestricted	20,378,809	4,099,226	2,617,051	27,095,086	151,054
Total Net Assets	\$34,826,650	\$44,923,226	\$46,274,574	126,024,450	\$166,348

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.

9,688

Net assets of business-type activities

\$126,034,138

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenses,
and Change in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Operating Revenues</u>					
Charges for Services	\$43,915,581	\$3,691,814	\$3,612,772	\$51,220,167	\$378,821
Other	909,950	31,224	309,533	1,250,707	1,553
Total Operating Revenues	44,825,531	3,723,038	3,922,305	52,470,874	380,374
<u>Operating Expenses</u>					
Purchased Power	33,818,291			33,818,291	
Plant Operation	157	1,737,343	1,604,418	3,341,918	
Distribution Operation	2,634,895	913,906	797,917	4,346,718	
Administrative and General	1,272,945	554,821	842,986	2,670,752	
Information and Technology	128,542	42,852	42,850	214,244	
Depreciation	1,185,017	928,737	1,277,125	3,390,879	4,481
Other					369,750
Total Operating Expenses	39,039,847	4,177,659	4,565,296	47,782,802	374,231
Operating Income (Loss)	5,785,684	(454,621)	(642,991)	4,688,072	6,143
<u>Non-Operating Revenues (Expenses)</u>					
Excise Taxes	1,672,123			1,672,123	
Excise Taxes Expense	(1,672,123)			(1,672,123)	
Interest Revenue	14,294	509	818	15,621	
Interest Expense	(76,778)	(35,901)	(145,852)	(258,531)	
Grants			20,000	20,000	
Investment in Joint Venture	(290,496)			(290,496)	
Total Non-Operating (Expenses)	(352,980)	(35,392)	(125,034)	(513,406)	
Income (Loss) before Contributions and Transfers	5,432,704	(490,013)	(768,025)	4,174,666	6,143
Capital Contributions		6,557,298	2,496,156	9,053,454	
Change in Net Assets	5,432,704	6,067,285	1,728,131	13,228,120	6,143
Net Assets Beginning of Year - Restated (Note 3)	29,393,946	38,855,941	44,546,443		160,205
Net Assets End of Year	\$34,826,650	\$44,923,226	\$46,274,574		\$166,348

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 gain of the internal service fund.

553

Change in net assets of business-type activities

\$13,228,673

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	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	\$43,419,781	\$3,645,690	\$3,587,501	\$50,652,972	
Cash Received from Transactions with Other Funds					\$402,256
Cash Payments for Purchased Power	(32,444,675)			(32,444,675)	
Cash Payments for Plant Operation		(1,824,106)	(1,610,579)	(3,434,685)	
Cash Payments for Distribution Operation	(2,595,867)	(892,497)	(812,013)	(4,300,377)	
Cash Payments for Administrative and General	(1,389,762)	(594,592)	(909,068)	(2,893,422)	
Cash Payments for Information and Technology	(108,456)	(36,154)	(36,154)	(180,764)	
Cash Received from Other Revenues	974,315	72,916	329,093	1,376,324	1,553
Cash Payments for Other Expenses					(412,223)
Net Cash Provided by (Used for) Operating Activities	<u>7,855,336</u>	<u>371,257</u>	<u>548,780</u>	<u>8,775,373</u>	<u>(8,414)</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Cash Received from Excise Taxes	1,672,123			1,672,123	
Cash Payments for Excise Tax Distribution Grants	(1,672,123)			(1,672,123)	
			20,000	20,000	
Net Cash Provided by Noncapital Financing Activities			<u>20,000</u>	<u>20,000</u>	
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(2,886,000)			(2,886,000)	
Principal Paid on General Obligation Bonds	(65,000)	(50,000)	(180,000)	(295,000)	
Principal Paid on Capital Leases		(52,919)	(30,786)	(83,705)	
Interest Paid on Bond Anticipation Notes	(51,204)			(51,204)	
Interest Paid on General Obligation Bonds	(18,425)	(38,600)	(136,163)	(193,188)	
Interest Paid on Capital Leases		(5,369)	(1,334)	(6,703)	
Proceeds of Bond Anticipation Notes	2,475,000			2,475,000	
Acquisition of Capital Assets	(2,353,310)	(333,691)	(352,103)	(3,039,104)	
Net Cash Used for Capital and Related Financing Activities	<u>(2,898,939)</u>	<u>(480,579)</u>	<u>(700,386)</u>	<u>(4,079,904)</u>	
<u>Cash Flows from Investing Activities</u>					
Interest	14,294	509	818	15,621	
Net Increase (Decrease) in Cash and Cash Equivalents	4,970,691	(108,813)	(130,788)	4,731,090	(8,414)
Cash and Cash Equivalents Beginning of Year	11,553,807	4,094,700	2,687,253	18,335,760	150,563
Cash and Cash Equivalents End of Year	<u>\$16,524,498</u>	<u>\$3,985,887</u>	<u>\$2,556,465</u>	<u>\$23,066,850</u>	<u>\$142,149</u>

See Accountant's Compilation Report

(continued)

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010
(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)	\$5,785,684	(\$454,621)	(\$642,991)	\$4,688,072	\$6,143
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Depreciation	1,185,017	928,737	1,277,125	3,390,879	4,481
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	(497,402)	(49,020)	(30,450)	(576,872)	(173)
Decrease in Accrued Interest Receivable	64,596	41,692	19,560	125,848	
Decrease in Due from Other Governments	150	906	7,073	8,129	
Increase in Other Local Taxes Receivable	(2,003)			(2,003)	
(Increase) Decrease in Interfund Receivable	1,221	1,990	(1,894)	1,317	23,608
Decrease in Prepaid Items	16,051	11,838	17,244	45,133	
(Increase) Decrease in Materials and Supplies Inventory	(28,435)	17,105	(33,792)	(45,122)	
Decrease in Recovered Purchased Power Receivable	794,979			794,979	
Increase in Accrued Wages Payable	37,345	28,471	26,413	92,229	5,400
Decrease in Accounts Payable	(491,185)	(122,117)	(124,107)	(737,409)	(498)
Increase in Recoverd Purchased Power Payable	1,954,465			1,954,465	
Decrease in Due to Other Governments	(35,544)	(17,051)	(16,205)	(68,800)	(2,227)
Increase in Interfund Payable	1,272	702	29	2,003	32
Increase (Decrease) in Compensated Absences Payable	58,376	(17,375)	50,775	91,776	(45,180)
Decrease in AMP-Ohio Payable	(989,251)			(989,251)	
Net Cash Provided by (Used for) Operating Activities	<u>\$7,855,336</u>	<u>\$371,257</u>	<u>\$548,780</u>	<u>\$8,775,373</u>	<u>(\$8,414)</u>

Non-Cash Capital Financing Activities:

The Water and Sewer enterprise funds received capital assets that were constructed in the City's governmental funds, in the amount of \$6,557,298 and \$2,496,156, respectively.

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2010

Assets

Cash and Cash Equivalents in Segregated Accounts	\$309,669
Special Assessments Receivable	<u>370,843</u>

Total Assets	<u><u>\$680,512</u></u>
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Liabilities

Undistributed Assets	<u><u>\$680,512</u></u>
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See Accompanying Notes to the Basic Financial Statements

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City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 2010.

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 Ohio Rural Water 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

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.

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 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2010. 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 (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its proprietary activities.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2010, but which were levied to finance 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

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

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2010, the City invested in nonnegotiable certificates of deposit and federal agency securities. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price.

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 2010 was \$402,041, which includes \$365,806 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, 2010, 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, 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 and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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	15-40 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".

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 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. Long-term notes, general obligation bonds, and OWDA loans are recognized as liabilities on the governmental 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash. It also includes the long-term portion of interfund receivables.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or by a City official delegated that authority by ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

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 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. Payments for interfund services provided and used are not eliminated.

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS

A. Change in Accounting Principles

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

B. Restatement of Fund Balance/Net Assets

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the City as they were previously reported.

	<u>General</u>	<u>Playground and Recreation</u>	<u>Sewer and Water Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund Balance at December 31, 2009	\$2,534,428	\$285,242	\$2,811,144	\$8,431,095	\$14,061,909
Change in Fund Structure	261,421			(261,421)	
Adjusted Fund Balance at December 31, 2009	<u>\$2,795,849</u>	<u>\$285,242</u>	<u>\$2,811,144</u>	<u>\$8,169,674</u>	<u>\$14,061,909</u>

In fiscal year 2010, the City failed to record several capital assets and also recorded a few items twice. The restatement due to this correction had the following effect on net assets.

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Net Assets at December 31, 2009	\$29,393,946	\$37,360,902	\$44,804,719	\$111,559,567
Capital Assets		1,495,039	(258,276)	1,236,763
Restated Net Assets at December 31, 2009	<u>\$29,393,946</u>	<u>\$38,855,941</u>	<u>\$44,546,443</u>	112,796,330
Internal Balance				9,135
Restated Net Assets at December 31, 2009 - Business-Type Activities				<u>\$112,805,465</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 4 - 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 restricted, committed, or assigned fund balance (GAAP basis).

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

Change in Fund Balance

	General	Playground and Recreation
GAAP Basis	\$259,976	(\$33,813)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2009, Received in Cash 2010	1,144,278	33,873
Accrued 2010, Not Yet Received in Cash	(1,063,775)	(53,801)
Expenditure Accruals:		
Accrued 2009, Paid in Cash 2010	(989,827)	(63,596)
Accrued 2010, Not Yet Paid in Cash	1,178,266	165,346
Cash Adjustments:		
Unrecorded Activity 2009	62,973	6,861
Unrecorded Activity 2010	(25,870)	(4,461)
		(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Change in Fund Balance
(continued)

	General	Playground and Recreation
Prepaid Items	(\$72,678)	
Advances In	30,000	
Encumbrances Outstanding at Year End (Budget Basis)	(202,159)	(\$133,210)
Budget Basis	\$321,184	(\$82,801)

NOTE 5 - DEPOSITS AND INVESTMENTS

The City follows State statutes regarding its deposit and investment activity. State statutes classify monies held by the City into three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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, \$4,996,914 of the City's bank balance of \$35,958,188 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

At December 31, 2010, the City had \$1,496,625 invested in Federal Home Loan Bank notes with a maturity date of December 14, 2012, and a rating of AAA by Moodys. The City has no investment policy dealing with credit risk beyond the requirements of State statute.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 6 - RECEIVABLES

Receivables at December 31, 2010, 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. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$326,669, will not be received within one year. Special assessments receivable, in the amount of \$729,018, will not be received within one year. At December 31, 2010, the amount of delinquent special assessments was \$7,966.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$79,553
Tangible Personal Property Reimbursement	19,118
DARE	14,087
Charges for Services	194,517
Fees, Licenses, and Permits	400
Fines and Forfeitures	50,818
Local Government	630,712
Estate Tax	123,905
Total General Fund	1,113,110
Playground and Recreation	
Homestead and Rollback	30,937
Tangible Personal Property Reimbursement	7,435
Ohio Department of Natural Resources	20,000
Other	15,470
Total Playground and Recreation	73,842
Sewer and Water Improvement	
Ohio Public Works Commission	95,038
Total Major Funds	1,281,990
	(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 6 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds	
Street Maintenance and Repair	
Gasoline Tax	314,493
Auto Registration	84,176
Motor Vehicle License Tax	21,115
Total Street Maintenance and Repair	419,784
State Highway	
Gasoline Tax	25,500
Auto Registration	6,825
Total State Highway	32,325
Law Enforcement Trust	
Fees, Licenses, and Permits	210
Law Enforcement Drug	
Fines and Forfeitures	1,697
Indigent Drivers Alcohol	
Fines and Forfeitures	9,516
Interlock and Alcohol Monitoring	
Fines and Forfeitures	1,269
Municipal Court Special Projects	
Charges for Services	1,230
Fines and Forfeitures	10,577
Total Municipal Court Special Projects	11,807
Municipal Probation Services	
Charges for Services	6,586
Municipal Court Computerization	
Charges for Services	369
Total Nonmajor Funds	483,563
Total Governmental Activities	\$1,765,553

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 6 - RECEIVABLES (continued)

	Amount
Business Type Activities	
Major Funds	
Electric	
Charges for Services	\$50
Water	
Charges for Services	120
Sewer	
Charges for Services	1,035
Total Business Type Activities	\$1,205

NOTE 7 - 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 Program. The notes have an annual interest rate of 2.16 to 5.5 percent and are to be repaid over periods ranging from three to twenty years. A summary of the changes in notes receivable during 2010 follows:

	Balance December 31, 2009	New Loans	Repayments	Balance December 31, 2010	Due Within One Year
Special Revenue Fund					
CDBG					
Revolving Loan					
Program	\$565,707	\$105,000	\$223,498	\$447,209	\$173,314
Home Program	91,885		13,054	78,831	26,057
Total Notes Receivable	\$657,592	\$105,000	\$236,552	\$526,040	\$199,371

NOTE 8 - MUNICIPAL INCOME TAXES

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 9 - 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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2008, were levied after October 1, 2009, 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 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the values as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, 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, 2010, and for which there was an enforceable legal claim. The entire receivable has been deferred since current taxes were not levied to finance 2010 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 9 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2010, was \$5.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$302,106,280
Commercial/Industrial	200,652,860
Public Utility Real	16,610
Public Utility Personal	1,431,940
Total	<u>\$504,207,690</u>

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,293,179	\$418,800		\$3,711,979
Construction in Progress	55,918	1,113,544	(\$101,377)	1,068,085
Total Nondepreciable Capital Assets	<u>3,349,097</u>	<u>1,532,344</u>	<u>(101,377)</u>	<u>4,780,064</u>
Depreciable Capital Assets				
Land Improvements	2,462,728	85,991		2,548,719
Buildings	18,401,591	3,838,745		22,240,336
Equipment	2,301,569	60,551		2,362,120
Vehicles	7,782,677	347,168	(115,917)	8,013,928
Streets	50,824,404	1,974,955		52,799,359
Total Depreciable Capital Assets	<u>81,772,969</u>	<u>6,307,410</u>	<u>(115,917)</u>	<u>87,964,462</u>
Less Accumulated Depreciation for				
Land Improvements	(1,143,246)	(100,694)		(1,243,940)
Buildings	(6,631,534)	(454,775)		(7,086,309)
Equipment	(1,696,770)	(140,924)		(1,837,694)
Vehicles	(4,831,766)	(583,446)	115,917	(5,299,295)
Streets	(27,936,109)	(1,835,038)		(29,771,147)
Total Accumulated Depreciation	<u>(42,239,425)</u>	<u>(3,114,877)</u>	<u>115,917</u>	<u>(45,238,385)</u>
Total Depreciable Capital Assets, Net	<u>39,533,544</u>	<u>3,192,533</u>		<u>42,726,077</u>
Governmental Activities Capital Assets, Net	<u>\$42,882,641</u>	<u>\$4,724,877</u>	<u>(\$101,377)</u>	<u>\$47,506,141</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 10 - CAPITAL ASSETS (continued)

During 2010, the City accepted contributions of depreciable capital assets for governmental activities from outside sources with a fair value of \$3,977,712.

	Balance December 31, 2009 Restated	Additions	Reductions	Balance December 31, 2010
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$2,781,675	\$570,000		\$3,351,675
Construction in Progress	14,873,093	9,257,492	(\$4,751,964)	19,378,621
Total Nondepreciable Capital Assets	<u>17,654,768</u>	<u>9,827,492</u>	<u>(4,751,964)</u>	<u>22,730,296</u>
Depreciable Capital Assets				
Buildings	58,025,770	5,016,139		63,041,909
Equipment	2,220,619	42,001		2,262,620
Vehicles	5,114,190	163,169	(112,943)	5,164,416
Electric, Water, Sewer, and Storm Sewer Lines	89,184,737	1,795,721		90,980,458
Total Depreciable Capital Assets	<u>154,545,316</u>	<u>7,017,030</u>	<u>(112,943)</u>	<u>161,449,403</u>
Less Accumulated Depreciation for				
Buildings	(29,904,759)	(1,190,177)		(31,094,936)
Equipment	(2,113,899)	(41,368)		(2,155,267)
Vehicles	(4,211,204)	(353,010)	112,943	(4,451,271)
Electric, Water, Sewer, and Storm Sewer Lines	(38,919,082)	(1,806,324)		(40,725,406)
Total Accumulated Depreciation	<u>(75,148,944)</u>	<u>(3,390,879)</u>	<u>112,943</u>	<u>(78,426,880)</u>
Total Depreciable Capital Assets, Net	<u>79,396,372</u>	<u>3,626,151</u>		<u>83,022,523</u>
Business-Type Activities Capital Assets, Net	<u>\$97,051,140</u>	<u>\$13,453,643</u>	<u>(\$4,751,964)</u>	<u>\$105,752,819</u>

The Water and Sewer enterprise funds accepted contributions of capital assets from governmental activities a fair value of \$6,557,298 and \$2,496,156, respectively.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	\$171,387
Security of Persons and Property-Fire	268,420
Security of Persons and Property-Ambulance	37,111
Public Health	6,320
Leisure Time Activities	194,980
Community Environment	8,254
Transportation	2,119,350
General Government-Court	167,874
General Government-Other	141,181
Total Depreciation Expense - Governmental Activities	<u>\$3,114,877</u>

NOTE 11 - INTERFUND BALANCES

Interfund balances at December 31, 2010, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Playground and Recreation	\$173,850
Electric	121,282
Total General Fund	<u>\$295,132</u>

Due to Electric Fund from:

Other Governmental	\$545
Water	3,388
Sewer	7,411
Total Electric Fund	<u>\$11,344</u>

Due to Water Fund from:

General	\$4,052
Playground and Recreation	221
Other Governmental	1,927
Electric	1,031
Sewer	2,298
Total Water Fund	<u>\$9,529</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 11 - INTERFUND BALANCES (continued)

Due to Sewer Fund from:

General	\$14,338
Playground and Recreation	317
Other Governmental	4,945
Electric	4,161
Water	2,402
Internal Service	225
Total Sewer Fund	\$26,388

Due to Internal Service Fund from:

General	\$21,211
Sewer and Water Improvement	4,110
Water	30
Sewer	803
Total Internal Service Fund	\$26,154

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 \$173,850 owed by the Playground and Recreation special revenue fund:

Year Ending December 31,	Principal
2011	\$57,950
2012	57,950
2013	57,950
Total	\$173,850

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 12 - 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 2010, 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	\$250,000,000
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	2,000,000
Law Enforcement Professional Liability	2,000,000
Automobile Liability	2,000,000
Crime	
Employee Dishonesty and Faithful Performance	500,000
Depositor's Forgery	500,000
Money and Securities	500,000
Excess Liability	
Per Occurrence	8,000,000
Annual Aggregate	16,000,000

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 12 - RISK MANAGEMENT (continued)

For 2010, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan. To maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management, Inc. 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.

The City may withdraw from the plan if written notice is provided sixty days prior to the prescribed application deadline to the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

NOTE 13 - CONTRACTUAL COMMITMENTS

At December 31, 2010, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
AA Boos	Skate Park	\$85,867
Aerex Industrial	Water Reverse Osmosis	397,200
AMP	Advanced Metering Infrastructure System	30,000
Chemco System	Knife Gate Valve	97,603
Crestline	East Wooster Street Improvements	180,775
Fairbanks	Fairbanks Morse Pump	99,569
Helms & Son	East Gypsy Lane Road Water Main	300,847
Helms & Son	North Main Street Waterline Improvements	36,371
Hughes	Electric/Water Installations	121,053
Kirk Brothers	Poe & Dunbridge Road Pump Station	39,117
Miller Pipe	Sanitary Sewer Rehabilitation	49,093
Mosser Construction	WTP Membrane Improvements	152,453
Pall Corporation	Construction Services	249,398

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 13 - CONTRACTUAL COMMITMENTS (continued)

Company	Project	Amount Remaining on Contract
Poggemeyer	Construction Services	\$190,019
Rabores, Inc.	East Wooster Street Waterline Improvements	55,468
Reiss	Design Services	103,965
Retzke/Snyder	Construction Services	327,543
Screening	Two Traveling Screens	55,289
Wesco	Vacuum Circuit Breakers	33,555

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which 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 stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan. For 2010, member and employer contribution rates were consistent across all three plans.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

The City's 2010 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the City's contribution was 17.87 percent of covered payroll. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1, through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 was \$946,446, \$932,993, and \$778,763, respectively. For 2010, 91 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$20,965 made by the City and \$14,975 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2010, the portion of the City's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$383,416 and \$598,926 for the year ended December 31, 2010, \$399,146 and \$620,896, for the year ended December 31, 2009, and \$355,306 and \$608,572, for the year ended December 31, 2008. For 2010, 70 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2010, 2009, and 2008 was \$551,514, \$689,956, and \$799,718, respectively. For 2010, 91 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS retirement board on September 9, 2004, was effective January 1, 2007. Member and employer contributions rates increased on January 1 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement healthcare coverage for 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. The healthcare coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

The OPF Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$202,985 and \$234,362 for the year ended December 31, 2010, \$211,313 and \$242,959 for the year ended December 31, 2009, and \$188,103 and \$238,137 for the year ended December 31, 2008. For 2010, 70 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

NOTE 16 - 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, except for those employees under the Bowling Green Police Command Officers' Association. The employees under the Police Command Officers' Association will be paid for 25 percent of their earned unused sick leave up to 1,500 hours and 50 percent of earned unused sick leave in excess of 1,500 hours.

NOTE 17 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2010, were as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2010</u>
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Electric					
2009 Electric System Improvements	2%	\$701,000		\$701,000	
2009 Electric System Improvements	2	2,185,000		2,185,000	
2010 Electric System Improvements	1.5		\$320,000		\$320,000
2010 Electric System Improvements	1.5		1,585,000		1,585,000
2010 Electric System Improvements	2		570,000		570,000
Total Business-Type Activities		<u>\$2,886,000</u>	<u>\$2,475,000</u>	<u>\$2,886,000</u>	<u>\$2,475,000</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 17 - NOTES PAYABLE (continued)

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

The bond anticipation notes in the Electric enterprise fund, in the amount of \$320,000 and \$1,585,000, were issued on November 23, 2010, to partially retire notes previously issued, in the amount of \$701,000 and \$2,185,000, to pay the costs of improving the City's electric system by constructing a new substation.

During 2010, the City issued electric system improvement bond anticipation notes for the acquisition of real estate for the city's municipal electric system. The notes were issued on March 18, 2010, and matured on March 17, 2011.

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2010, was as follows:

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Governmental Activities</u>						
Bond Anticipation Notes						
2009 Street Improvement Notes	2.75%	\$800,000		\$800,000		
2010 Street Improvement Notes	1.25		\$2,200,000		\$2,200,000	\$2,200,000
Total Bond Anticipation Notes		800,000	2,200,000	800,000	2,200,000	2,200,000
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$11,745,000)	3.00	8,290,000		680,000	7,610,000	590,000
Premium		80,458		6,600	73,858	
2006 Park and Recreation (Original Issue - \$480,000)	4.42	360,000		60,000	300,000	60,000
Total General Obligation Bonds		8,730,458		746,600	7,983,858	650,000
Ohio Water Development Authority Loans						
1994 Second Water Transmission Main (Original Issue - \$3,644,348)	5.77	2,423,486		185,866	2,237,620	98,295
1999 Granular Activated Carbon System (Original Issue - \$2,880,752)	5.50	1,474,580		263,812	1,210,768	137,371
2002 Clearwell and High Service Pump (Original Issue - \$3,217,619)	3.95	2,512,350		254,090	2,258,260	130,821
2004 Wastewater Treatment Plant and Solids Handling Improvements	1.76	4,295,543		379,145	3,916,398	
2008 Intake and Pump Station	3.52	3,461,453	696,279	194,597	3,963,135	

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Governmental Activities</u>						
Ohio Water Development Authority Loans (continued)						
2009 WWTP Tertiary Filtration	4.14	\$2,495,115		\$95,062	\$2,400,053	
2009 Microfiltration/Low Pressure Reverse Osmosis	0.00	16,731	\$5,072,242	2,182,491	2,906,482	
2010 WWTP Ultraviolet Disinfection Project	0.00		965,095	47,311	917,784	
Total Ohio Water Development Authority Loans		16,679,258	6,733,616	3,602,374	19,810,500	\$366,487
Other Long-Term Obligations						
Compensated Absences Payable		1,584,605	306,270	204,575	1,686,300	978,986
Total Governmental Activities		\$27,794,321	\$9,239,886	\$5,353,549	\$31,680,658	\$4,195,473
	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$6,215,000)	3.00%	\$4,605,000		\$295,000	\$4,310,000	\$305,000
Premium		44,694		2,863	41,831	
Total General Obligation Bonds		4,649,694		297,863	4,351,831	305,000
Other Long-Term Obligations						
Compensated Absences Payable		944,279	\$164,758	72,982	1,036,055	328,466
Capital Leases Payable		139,243		83,705	55,538	55,538
AMP Ohio Payable - JV 2		6,110,016		426,578	5,683,438	449,414
AMP Ohio Payable - JV 6		3,403,482		562,673	2,840,809	545,811
Total Other Long-Term Obligations		10,597,020	164,758	1,145,938	9,615,840	1,379,229
Total Business-Type Activities		\$15,246,714	\$164,758	\$1,443,801	\$13,967,671	\$1,684,229

2009 Street Improvement Bond Anticipation Notes - On March 25, 2009, the City issued \$800,000 in bond anticipation notes for street improvements. The notes have an interest rate of 2.75 percent and matured on March 25, 2010.

2010 Street Improvement Bond Anticipation Notes - On March 25, 2010, the City issued \$2,200,000 in bond anticipation notes for street improvements. The notes have an interest rate of 1.25 percent and matured on March 17, 2011.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

2004 Various Purpose Improvement General Obligation Bonds - On May 6, 2004, the City issued \$17,960,000 in unvoted general obligation bonds to retire 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 ranges from 3 to 5 percent over the life of the bonds. The bonds will be paid from the Debt Service Fund, and the Electric, Water, and Sewer enterprise funds.

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

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

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

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

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

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

2006 Park and Recreation General Obligation 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

OWDA Loans Payable - The OWDA loans represent amounts borrowed from the Ohio Water Development Authority for construction of water and sewer system improvements. The intention is to repay the loans with income tax revenues of the Sewer and Water Capital Improvement capital projects fund. Annual principal and interest payments on the loans are expected to require less than 100 percent of these revenues. The total principal and interest remaining to be paid on the loans (on completed projects for which amortization schedules are available) is \$6,927,973. Principal and interest paid in the Sewer and Water Capital Improvement capital projects fund for the current year were \$3,602,374 and \$553,121, respectively. Total revenue for the Sewer and Water Capital Improvement capital projects fund was \$6,518,523.

Compensated Absences - The compensated absences liability will be paid from the General Fund, from the Electric, Water, and Sewer enterprise funds, and from the Engineering internal service fund.

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

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

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

The AMP-Ohio loans for JV2 and JV6 will be paid solely from the net revenues of the electric system, subject only to the prior payment of operation and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues. The City is required to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 and JV6 debt service and any other outstanding electric system revenue obligations. The remaining principal and interest to be paid on the loans is \$7,313,651 payable through 2020 for JV2 and \$3,077,171 payable through 2016 for JV6. Principal and interest paid for the current year were \$726,842 for JV2 and \$577,465 for JV6. Total net revenues for the Electric enterprise fund were \$8,853,476.

The City's legal debt margin was \$42,907,674 at December 31, 2010.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

The Waste Water Treatment Plant and Solids Handling Improvements, the Intake and Pump Station, the WWTP Tertiary Filtration, the Microfiltration/Low Pressure Reverse Osmosis, and the Waste Water Treatment Plant Ultraviolet Disinfection projects funded by OWDA loans have not been completed. Amortization schedules for the repayment of these loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2010, were as follows:

Year	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2011	\$650,000	\$341,448	\$366,487	\$142,452
2012	660,000	318,145	757,886	259,993
2013	665,000	292,993	796,261	221,619
2014	525,000	266,141	836,627	181,252
2015	535,000	244,889	708,425	138,788
2016 to 2020	2,385,000	904,262	2,240,962	277,221
2021 to 2025	1,770,000	394,463		
2026 to 2028	720,000	72,424		
Total	\$7,910,000	\$2,834,765	\$5,706,648	\$1,221,325

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2010, from the enterprise funds were as follows:

Year	General Obligation Bonds		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2011	\$305,000	\$183,600	\$995,225	\$313,835
2012	310,000	172,926	985,628	323,587
2013	325,000	161,301	1,009,087	299,950
2014	335,000	148,300	1,055,318	253,160
2015	350,000	134,900	1,104,211	204,192
2016 to 2020	1,605,000	466,473	3,374,778	471,851
2021 to 2023	1,080,000	169,171		
Total	\$4,310,000	\$1,436,671	\$8,524,247	\$1,866,575

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Balance December 31, 2010</u>
Multi-Family Housing Revenue Bonds			
Bowling Green Village Series 2001 A	6/1/2001	\$3,320,000	\$2,980,000
Bowling Green Village Series 2001 B	6/1/2001	500,000	485,000
Student Housing	6/16/2010	81,610,000	81,610,000
Ohio Water Development Authority Loan			
Hiram College	4/29/2004	611,872	611,872

The City is not obligated in any way to pay debt and related charges on 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 debt or the related financing documents.

NOTE 19 - 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 2010 were \$83,705.

	<u>Business-Type Activities</u>
Vehicles	\$602,049
Less Accumulated Depreciation	(602,049)
Carrying Value, December 31, 2010	<u>\$0</u>

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, 2010.

	<u>Business-Type Activities</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	<u>\$55,538</u>	<u>\$2,749</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Playground and Recreation</u>	<u>Sewer And Water Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:					
Interfund Loans	\$115,900				\$115,900
Prepaid Items	79,829				79,829
Total Nonspendable	195,729				195,729
Restricted for:					
Capital Improvements			\$3,224,072	\$1,086,206	4,310,278
Cemetery Operations and Maintenance				53,452	53,452
Community Development				798,375	798,375
Court Operations				407,397	407,397
Debt Retirement				89,419	89,419
Playground and Recreation		\$251,429			251,429
Police and Fire Operations				1,125,051	1,125,051
Public Transit				51,319	51,319
Street Construction and Maintenance				2,349,823	2,349,823
Unclaimed Monies	51,746				51,746
Total Restricted	51,746	251,429	3,224,072	5,961,042	9,488,289
Committed to:					
Equipment Replacement				257,525	257,525
Facility Replacement				917,906	917,906
Greenspace Enhancements	157,226				157,226
Parking Enforcement and Maintenance	167,614			28,272	195,886
Roadway Replacement				50,000	50,000
Total Committed	324,840			1,253,703	1,578,543
Assigned for:					
Debt Retirement				75,867	75,867
Unpaid Obligations	166,691				166,691
Total Assigned	166,691			75,867	242,558
Unassigned	2,316,819				2,316,819
Total Fund Balance	\$3,055,825	\$251,429	\$3,224,072	\$7,290,612	\$13,821,938

NOTE 21 - INTERFUND TRANSFERS

During 2010, the General Fund made transfers, in the amount of \$21,240 to other governmental funds to subsidize activities in those funds. Other governmental funds made transfers to other governmental funds, in the amount of \$50,000 for transit operations, in the amount of \$967,388 as debt payments came due, and in the amount of \$25,000, to fund facility maintenance.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

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 did not have any outstanding debt obligations as of December 31, 2010. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., 1500 West Third Street, Suite 405, Cleveland, Ohio 44113.

B. Ohio Rural Water Association Workers' Compensation Group Rating Plan

The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Rural Water Association Workers' Compensation Group Rating Plan is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating members. Financial information may be obtained from the Ohio Rural Water Association Workers' Compensation Group Rating Plan, 975 Linden Avenue, Zanesville, Ohio 43701.

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 23 - JOINT VENTURES (continued)

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, 2010, the City had met its debt coverage obligation.

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, 2010, was \$5,683,438 (including 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 \$4,579,096 at December 31, 2010. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV5 debt service and any other outstanding senior lien electric system revenue obligations. Upon dissolution of JV5, the net assets will be shared by the participants on a percentage of ownership basis. As of December 31, 2010, the City had met its debt coverage obligation.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 23 - JOINT VENTURES (continued)

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.

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 \$1,699,304 at December 31, 2010. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2010, the City had met their debt coverage obligation.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 23 - JOINT VENTURES (continued)

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.

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, 2010, was \$2,840,809.

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 \$4,821,905 at December 31, 2010. 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.

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, Inc., 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, 2010, to December 31, 2010, 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010
(Continued)

NOTE 26 - SUBSEQUENT EVENTS

On March 16, 2011, the City issued bond anticipation notes, in the amount of \$3.5 million, to retire notes previously issued for street improvements and provide additional funds for improvements. The notes have an interest rate of 1 percent and mature on March 16, 2012.

On March 17, 2011, the City retired the electric system improvement bond anticipation notes for the acquisition of real estate for the City's municipal electric system. The notes were issued on March 18, 2010, and had a maturity date of March 17, 2011. They had an interest rate of 2 percent.

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City of Bowling Green
Comparative Statement of Fund Net Assets
Enterprise Funds
December 31, 2010, and 2009

	Electric		Water	
	2010	2009	2010	2009
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$15,136,938	\$10,180,538	\$3,985,887	\$4,094,700
Cash and Cash Equivalents with Fiscal Agents	1,387,560	1,373,269		
Accounts Receivable	5,110,199	4,612,797	385,151	336,131
Accrued Interest Receivable		64,596		41,692
Due from Other Governments	50	200	120	1,026
Other Local Taxes Receivable	132,155	130,152		
Interfund Receivable	11,344	12,565	9,529	11,519
Prepaid Items	26,610	42,661	26,610	38,448
Materials and Supplies Inventory	1,041,462	1,013,027	143,419	160,524
Total Current Assets	22,846,318	17,429,805	4,550,716	4,684,040
<u>Non-Current Assets</u>				
Recovered Purchased Power Receivable		794,979		
Unamortized Bond Issuance Cost	5,741	6,629	11,756	12,439
Nondepreciable Capital Assets	3,241,979	2,223,507	15,806,429	9,243,855
Depreciable Capital Assets, Net	14,099,198	13,949,377	25,929,699	26,530,021
Investment in Joint Venture	11,100,305	11,390,801		
Total Non-Current Assets	28,447,223	28,365,293	41,747,884	35,786,315
Total Assets	51,293,541	45,795,098	46,298,600	40,470,355
<u>Current Liabilities</u>				
Accrued Wages Payable	75,255	37,910	51,273	22,802
Accounts Payable	2,315,815	2,807,000	79,295	201,412
Recovered Purchased Power Payable	1,954,465			
Due to Other Governments	84,460	120,004	43,636	60,687
Interfund Payable	126,474	125,202	5,820	5,118
Accrued Interest Payable	13,329	6,437	3,081	11,347
Notes Payable	2,475,000	2,886,000		
General Obligation Bonds Payable	65,000	65,000	55,000	50,000
Compensated Absences Payable	148,389	139,252	83,203	130,951
Capital Leases Payable			55,538	52,919
AMP Ohio Payable	995,225	989,251		
Total Current Liabilities	8,253,412	7,176,056	376,846	535,236
<u>Non-Current Liabilities</u>				
General Obligation Bonds Payable	359,077	424,708	813,346	868,831
Compensated Absences Payable	325,380	276,141	185,182	154,809
Capital Leases Payable				55,538
AMP Ohio Payable	7,529,022	8,524,247		
Total Non-Current Liabilities	8,213,479	9,225,096	998,528	1,079,178
Total Liabilities	16,466,891	16,401,152	1,375,374	1,614,414
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	14,447,841	12,803,805	40,824,000	34,759,027
Unrestricted	20,378,809	16,590,141	4,099,226	4,096,914
Total Net Assets	\$34,826,650	\$29,393,946	\$44,923,226	\$38,855,941

Sewer		Totals	
2010	2009	2010	2009
\$2,556,465	\$2,687,253	\$21,679,290	\$16,962,491
		1,387,560	1,373,269
373,993	343,543	5,869,343	5,292,471
	19,560		125,848
1,035	8,108	1,205	9,334
		132,155	130,152
26,388	24,494	47,261	48,578
26,610	43,854	79,830	124,963
101,267	67,475	1,286,148	1,241,026
<u>3,085,758</u>	<u>3,194,287</u>	<u>30,482,792</u>	<u>25,308,132</u>
			794,979
41,417	43,877	58,914	62,945
3,681,888	6,187,406	22,730,296	17,654,768
42,993,626	38,916,974	83,022,523	79,396,372
		11,100,305	11,390,801
<u>46,716,931</u>	<u>45,148,257</u>	<u>116,912,038</u>	<u>109,299,865</u>
<u>49,802,689</u>	<u>48,342,544</u>	<u>147,394,830</u>	<u>134,607,997</u>
			84,203
49,904	23,491	176,432	3,191,987
59,468	183,575	2,454,578	
		1,954,465	
44,063	60,268	172,159	240,959
10,512	10,483	142,806	140,803
10,859	3,217	27,269	21,001
		2,475,000	2,886,000
185,000	180,000	305,000	295,000
96,874	95,978	328,466	366,181
	30,786	55,538	83,705
		995,225	989,251
<u>456,680</u>	<u>587,798</u>	<u>9,086,938</u>	<u>8,299,090</u>
			578,098
2,874,408	3,061,155	4,046,831	4,354,694
197,027	147,148	707,589	55,538
		7,529,022	8,524,247
<u>3,071,435</u>	<u>3,208,303</u>	<u>12,283,442</u>	<u>13,512,577</u>
<u>3,528,115</u>	<u>3,796,101</u>	<u>21,370,380</u>	<u>21,811,667</u>
			89,439,148
43,657,523	41,876,316	98,929,364	23,357,182
2,617,051	2,670,127	27,095,086	
<u>\$46,274,574</u>	<u>\$44,546,443</u>	<u>\$126,024,450</u>	<u>\$112,796,330</u>

City of Bowling Green
Comparative Statement of Revenues, Expenses, and Change in Fund Net Assets
Enterprise Funds
For the Years Ended December 31, 2010, and 2009

	Electric		Water	
	2010	2009	2010	2009
<u>Operating Revenues</u>				
Charges for Services	\$43,915,581	\$38,439,138	\$3,691,814	\$3,297,316
Other	909,950	887,945	31,224	84,196
Total Operating Revenues	44,825,531	39,327,083	3,723,038	3,381,512
<u>Operating Expenses</u>				
Purchased Power	33,818,291	31,887,931		
Plant Operation	157		1,737,343	1,873,677
Distribution Operation	2,634,895	2,378,296	913,906	902,573
Administrative and General	1,272,945	1,554,727	554,821	742,562
Information and Technology	128,542	123,250	42,852	41,178
Depreciation	1,185,017	1,145,581	928,737	943,100
Total Operating Expenses	39,039,847	37,089,785	4,177,659	4,503,090
Operating Income (Loss)	5,785,684	2,237,298	(454,621)	(1,121,578)
<u>Non-Operating Revenues (Expenses)</u>				
Excise Taxes	1,672,123	1,540,571		
Excise Taxes Expense	(1,672,123)	(1,540,571)		
Interest Revenue	14,294	99,631	509	63,277
Interest Expense	(76,778)	(100,141)	(35,901)	(56,168)
Grants				
Investment in Joint Venture	(290,496)	(323,201)		
Total Non-Operating Revenues (Expenses)	(352,980)	(323,711)	(35,392)	7,109
Income (Loss) Before Contributions	5,432,704	1,913,587	(490,013)	(1,114,469)
Capital Contributions			6,557,298	7,534,965
Change in Net Assets	5,432,704	1,913,587	6,067,285	6,420,496
Net Assets Beginning of Year	29,393,946	27,480,359	38,855,941	32,435,445
Net Assets End of Year	<u>\$34,826,650</u>	<u>\$29,393,946</u>	<u>\$44,923,226</u>	<u>\$38,855,941</u>

Sewer		Totals	
2010	2009	2010	2009
\$3,612,772	\$3,535,757	\$51,220,167	\$45,272,211
309,533	297,408	1,250,707	1,269,549
3,922,305	3,833,165	52,470,874	46,541,760
		33,818,291	31,887,931
1,604,418	1,919,983	3,341,918	3,793,660
797,917	805,401	4,346,718	4,086,270
842,986	960,281	2,670,752	3,257,570
42,850	41,181	214,244	205,609
1,277,125	1,218,198	3,390,879	3,306,879
4,565,296	4,945,044	47,782,802	46,537,919
(642,991)	(1,111,879)	4,688,072	3,841
		1,672,123	1,540,571
		(1,672,123)	(1,540,571)
818	33,336	15,621	196,244
(145,852)	(136,309)	(258,531)	(292,618)
20,000		20,000	
		(290,496)	(323,201)
(125,034)	(102,973)	(513,406)	(419,575)
(768,025)	(1,214,852)	4,174,666	(415,734)
2,496,156	3,298,900	9,053,454	10,833,865
1,728,131	2,084,048	13,228,120	10,418,131
44,546,443	42,462,395	112,796,330	102,378,199
<u>\$46,274,574</u>	<u>\$44,546,443</u>	<u>\$126,024,450</u>	<u>\$112,796,330</u>

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2010, and 2009

	Electric		Water	
	2010	2009	2010	2009
<u>Increases (Decreases) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$43,419,781	\$37,067,248	\$3,645,690	\$3,262,482
Cash Payments for Purchased Power	(32,444,675)	(32,764,994)		
Cash Payments for Plant Operation			(1,824,106)	(1,871,954)
Cash Payments for Distribution Operation	(2,595,867)	(2,761,551)	(892,497)	(997,636)
Cash Payments for Administrative and General	(1,389,762)	(1,425,469)	(594,592)	(695,126)
Cash Payments for Information and Technology	(108,456)	(141,741)	(36,154)	(47,247)
Cash Received from Other Revenues	974,315	901,204	72,916	84,196
Net Cash Provided by (Used for) Operating Activities	<u>7,855,336</u>	<u>874,697</u>	<u>371,257</u>	<u>(265,285)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Cash Received from Excise Taxes	1,672,123	1,540,571		
Cash Payments for Excise Tax Distribution	(1,672,123)	(1,540,571)		
Grants		1,500		
Net Cash Provided by Noncapital Financing Activities		<u>1,500</u>		
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Bond Anticipation Notes	(2,886,000)	(3,266,000)		
Principal Paid on General Obligation Bonds	(65,000)	(60,000)	(50,000)	(50,000)
Principal Paid on Capital Leases			(52,919)	(50,423)
Interest Paid on Bond Anticipation Notes	(51,204)	(86,401)		
Interest Paid on General Obligation Bonds	(18,425)	(20,025)	(38,600)	(40,100)
Interest Paid on Capital Leases			(5,369)	(7,865)
Proceeds of Bond Anticipation Notes	2,475,000	2,886,000		
Acquisition of Capital Assets	(2,353,310)	(2,913,535)	(333,691)	(752,878)
Net Cash Used for Capital and Related Financing Activities	<u>(2,898,939)</u>	<u>(3,459,961)</u>	<u>(480,579)</u>	<u>(901,266)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	14,294	168,220	509	81,976
Net Increase (Decrease) in Cash and Cash Equivalents	4,970,691	(2,415,544)	(108,813)	(1,084,575)
Cash and Cash Equivalents Beginning of Year	<u>11,553,807</u>	<u>13,969,351</u>	<u>4,094,700</u>	<u>5,179,275</u>
Cash and Cash Equivalents End of Year	<u>\$16,524,498</u>	<u>\$11,553,807</u>	<u>\$3,985,887</u>	<u>\$4,094,700</u>

Sewer		Totals	
2010	2009	2010	2009
\$3,587,501	\$3,498,296	\$50,652,972	\$43,828,026
(1,610,579)	(1,918,335)	(32,444,675)	(32,764,994)
(812,013)	(833,738)	(3,434,685)	(3,790,289)
(909,068)	(883,576)	(4,300,377)	(4,592,925)
(36,154)	(47,248)	(2,893,422)	(3,004,171)
329,093	297,408	(180,764)	(236,236)
548,780	112,807	1,376,324	1,282,808
		8,775,373	722,219
		1,672,123	1,540,571
		(1,672,123)	(1,540,571)
20,000		20,000	1,500
20,000		20,000	1,500
(180,000)	(180,000)	(2,886,000)	(3,266,000)
(30,786)	(29,507)	(295,000)	(290,000)
(136,163)	(141,562)	(83,705)	(79,930)
(1,334)	(2,614)	(51,204)	(86,401)
(352,103)	(795,211)	(193,188)	(201,687)
		(6,703)	(10,479)
		2,475,000	2,886,000
		(3,039,104)	(4,461,624)
(700,386)	(1,148,894)	(4,079,904)	(5,510,121)
818	35,518	15,621	285,714
(130,788)	(1,000,569)	4,731,090	(4,500,688)
2,687,253	3,687,822	18,335,760	22,836,448
\$2,556,465	\$2,687,253	\$23,066,850	\$18,335,760

(continued)

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2010, and 2009
(continued)

	Electric		Water	
	2010	2009	2010	2009
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss)	\$5,785,684	\$2,237,298	(\$454,621)	(\$1,121,578)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Depreciation	1,185,017	1,145,581	928,737	943,100
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(497,402)	(1,390,100)	(49,020)	(46,002)
Decrease in Accrued Interest Receivable	64,596		41,692	
(Increase) Decrease in Due from Other Governments	150	35,920	906	(598)
Increase in Other Local Taxes Receivable	(2,003)	(2,386)		
(Increase) Decrease in Interfund Receivable	1,221	(4,286)	1,990	11,766
(Increase) Decrease in Prepaid Items	16,051	1,972	11,838	(4,850)
(Increase) Decrease in Materials and Supplies Inventory	(28,435)	(39,979)	17,105	(6,069)
Increase (Decrease) in Recovered Purchased Power Receivable	794,979	(794,979)		
Increase (Decrease) in Accrued Wages Payable	37,345	(80,480)	28,471	(47,870)
Increase (Decrease) in Accounts Payable	(491,185)	672,966	(122,117)	(14,311)
Increase in Recovered Purchased Power Payable	1,954,465			
Increase (Decrease) in Due to Other Governments	(35,544)	6,105	(17,051)	5,512
Increase (Decrease) in Interfund Payable	1,272	(1,068)	702	424
Increase (Decrease) in Compensated Absences Payable	58,376	25,726	(17,375)	15,191
Decrease in AMP-Ohio Payable	(989,251)	(937,593)		
Net Cash Provided by (Used for) Operating Activities	<u>\$7,855,336</u>	<u>\$874,697</u>	<u>\$371,257</u>	<u>(\$265,285)</u>

Sewer		Totals	
2010	2009	2010	2009
(\$642,991)	(\$1,111,879)	\$4,688,072	\$3,841
1,277,125	1,218,198	3,390,879	3,306,879
(30,450)	(39,513)	(576,872)	(1,475,615)
19,560		125,848	
7,073	(4,920)	8,129	30,402
		(2,003)	(2,386)
(1,894)	6,972	1,317	14,452
17,244	(8,763)	45,133	(11,641)
(33,792)	19,788	(45,122)	(26,260)
		794,979	(794,979)
26,413	(49,773)	92,229	(178,123)
(124,107)	76,515	(737,409)	735,170
		1,954,465	
(16,205)	(4,796)	(68,800)	6,821
29	(1,587)	2,003	(2,231)
50,775	12,565	91,776	53,482
		(989,251)	(937,593)
<u>\$548,780</u>	<u>\$112,807</u>	<u>\$8,775,373</u>	<u>\$722,219</u>

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Assistance			
Community Development Block Grants/Entitlement Grants (CDBG) Cluster			
Entitlement Grant	N/A	14.218	\$376,552
CDBG Revolving Loans	N/A	14.218	105,654
<i>Passed through Lucas County</i>			
CDBG Neighborhood Stabilization Program Grant	None	14.218	<u>317,347</u>
Total Community Development Block Grants			799,553
Direct Assistance			
ARRA - Community Development Block Grants/Entitlement Grants		14.253	<u>24,320</u>
Total Community Development Block Grant/Entitlement Grants Cluster			<u>823,873</u>
<i>Passed through Ohio Department of Development</i>			
Home Investment Partnerships Program Revolving Loans	N/A	14.239	<u>279</u>
Total U.S. Department of Housing and Urban Development			<u>824,152</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Assistance			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	N/A	16.804	<u>720</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Grant	Grant Number 16144	20.205	1,042,982
	Grant Number 85348	20.205	30,250
ARRA - Highway Planning and Construction Grant	Grant Number 86465	20.205	<u>477,163</u>
Total Highway Planning and Construction Grant			1,550,395
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other than Urbanized Areas	RPTC-871T-000-093	20.509	22,081
	RPT-4087-029-091	20.509	230,735
	RPT-4087-030-101	20.509	69,760
ARRA - Formula Grants for Other than Urbanized Areas	RPTS-0087-001-093	20.509	<u>7,115</u>
Total Formula Grants for Other than Urbanized Areas			329,691
Total U.S. Department of Transportation			<u>1,880,086</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Ohio Water Development Authority</i>			
Capitalization Grants for Drinking Water State Revolving Funds	Grant Number 4998	66.468	696,279
	Grant Number 5242	66.468	2,889,751
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	Grant Number 5242	66.468	<u>2,182,491</u>
Total U.S. Environmental Protection Agency			<u>5,768,521</u>
Total Federal Awards Expenditures			<u>\$8,473,479</u>

Note: The accompanying notes are an integral part of this schedule.

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

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) granted 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. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, and are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2010, the gross amounts of loans outstanding under this program were \$447,209.

Activity in the CDBG revolving loan fund during 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010	\$565,707
Loans written off:	(34,760)
Loans made:	105,000
Loan principal repaid:	(188,738)
Ending Loans receivable balance as of December 31, 2010	\$447,209
Program Expenditures:	
Loans Issued in 2010	\$654
Administrative costs expended during 2010	105,000
Other grants administered through the 14.218 program	693,899
	\$799,553
Total CDBG 14.218 program expenditures	\$799,553

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) granted 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 also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2010, the gross amounts of loans outstanding under this program were \$78,831. The City made no new loans under this program in 2010.

NOTE D – DOWN-PAYMENT ASSISTANCE AND/OR OWNER-OCCUPIED REHABILITATION

The City has established a revolving loan program to provide zero interest, forgivable, deferred payment loans to low-moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) granted 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, and are also included as disbursements on the Schedule.

The City had no new loans and \$279 in administrative expenditures under this program in 2010.

NOTE E - 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 F – 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.



Dave Yost • 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, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 20, 2011, wherein we noted the City adopted Government Accounting Standards Board Statement 54. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 20, 2011.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 20, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, Ohio (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 could directly and materially affect each of the City's major federal programs for the year ended December 31, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated September 20, 2011.

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



Dave Yost
Auditor of State

September 20, 2011

**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction Grant CFDA #20.205 and ARRA – Highway Planning and Construction Grant CFDA #20.205 Capitalization Grants for Drinking Water State Revolving Loan Funds CFDA #66.468 and ARRA - Capitalization Grants for Drinking Water State Revolving Loan Funds CFDA #66.468 Formula Grants for Other than Urbanized Areas CFDA #20.509 and ARRA - Formula Grants for Other than Urbanized Areas CFDA #20.509
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2010-001

Material Weakness

Financial Reporting

The review of the financial statements noted that accounts payable and the related purchase power expense for the Electric Fund and Business Type Activities were understated by \$1,882,775.

The accompanying financial statements have been adjusted to correct this error.

Sound financial reporting is the responsibility of the Finance Director and City Council, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the City's financial statements and notes to the statements are complete and accurate, the City should adopt policies and procedures, including a final review of the annual report by the City Administration to identify and correct errors and omissions.

Officials' Response:

We acknowledge the understatement of the accounts payable liabilities in the Electric Fund. We will strive to correct this reporting error in the future. Having recently combined the accounts payable functions into one area, we will have a common method for reporting and gathering liability information as financial reports are prepared each year for all funds.

3. FINDINGS FOR FEDERAL AWARDS

None

**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code §5705.36 – Failure to properly obtain amended certificates of estimated resources.	Yes	

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CITY OF BOWLING GREEN

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 29, 2011**