

**BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**RHONDA MELCHI, TREASURER/CFO**





# Dave Yost • Auditor of State

Board of Education  
Bowling Green City School District  
137 Clough Street  
Bowling Green, Ohio 43402

We have reviewed the *Independent Accountants' Report* of the Bowling Green City School District, Wood County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 16, 2013

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**BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

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BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 2012

**ELECTED OFFICIALS**

<b>Board of Education</b>	<b>Title</b>	<b>Term of Office</b>
Eric Myers, Ph.D.	President	1/1/10 – 12/31/13
Ellen Scholl	Vice President	1/1/10 – 12/31/13
Stephen Cernkovich, Ph.D.	Member	1/1/12 – 12/31/15
Lee Hakel	Member	1/1/12 – 12/31/15
Paul Walker	Member	1/1/12 – 12/31/15

**ADMINISTRATIVE PERSONNEL**

<b>Administrative</b>	<b>Title</b>	<b>Term of Contract</b>
Ann F. McVey, E.D. <sup>1</sup>	Superintendent	1/1/11 – 7/31/14
Rhonda Melchi, CPA <sup>2</sup>	Treasurer	1/1/10 – 7/31/14

**LEGAL COUNSEL**

External:

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

<sup>1</sup> Surety: Buckeye Union Insurance Company  
Bond: \$5,000

<sup>2</sup> Surety: Buckeye Union Insurance Company  
Bond: \$25,000

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

INDEX OF FUNDS PER GASB 54 CLASSIFICATIONS

**GOVERNMENTAL FUNDS**

**General Fund**

General Fund  
Public School Support Fund  
Severance Benefits Fund (H.B. 426)

**Special Revenue Funds**

Tributes Fund  
Other Local Grants Fund  
District-Managed Activity Fund  
Auxiliary Services Fund  
Network Connectivity Fund  
Poverty Based Assistance Fund  
Education Jobs Fund  
IDEA - Special Education, Part B Fund  
Title II-D – Technology Fund  
Title III – Immigrant Fund  
Title I – Targeted Assistance Grant Fund  
Title II-A Grant Fund  
Early Childhood Special Education – IDEA Fund

**Debt Service Funds**

Bond Retirement Fund

**Capital Projects Funds**

Permanent Improvement Fund  
Construction Fund

**Permanent Fund**

Memorials Fund

**PROPRIETARY FUNDS**

**Enterprise Funds**

Food Service Fund  
Performing Arts Center Operations Fund

**FIDUCIARY FUNDS**

**Agency Funds:**

Student-Managed Activity Fund  
District Agency Fund



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Accountants' Report

Bowling Green City School District  
137 Clough Street  
Bowling Green, Ohio 43402

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, its major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Bowling Green City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bowling Green City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the 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.

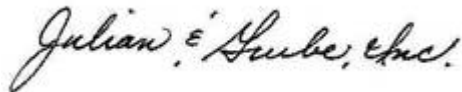
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, its major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the Bowling Green City School District'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* on pages 3 - 9 and the *Required Budgetary Comparison Schedule* on page 43, 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 Bowling Green City School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards 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 not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 29, 2012

# BOWLING GREEN CITY SCHOOL DISTRICT

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012*

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

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

#### *Government-wide Statements*

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

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

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

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

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, non-instructional and extracurricular activities.
- **Business-type Activities** – The District operates a food service program and opens its Performing Arts Center to outside groups for use. These activities are intended to be self-supporting.

#### *Fund Financial Statements*

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

# BOWLING GREEN CITY SCHOOL DISTRICT

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012*

**Governmental Funds** – Most of the District's activities are reported in Governmental Funds, which focus on (a) how money flows into and out of those funds and (b) the balances left at year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Government-wide statements) and governmental funds is reconciled in the financial statements. For the fiscal year ended June 30, 2012 the General Fund was considered "major" for reporting purposes due to its level of activity and is reported separately from all other Governmental funds in the fund financial statements. The District implemented Governmental Accounting Standard Board (GASB) Statement 54 in the prior fiscal year. In accordance with GASB 54, certain reclassifications of funds were made to include their activity as part of the General Fund rather than inclusion in other governmental funds.

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

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

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Assets** – The following table shows a comparative analysis of net assets for the fiscal years ended June 30, 2012 and 2011:

	Governmental Activities			Business-type Activities		
	2012	2011	Increase/ (Decrease)	2012	2011	Increase/ (Decrease)
Current and other assets	\$ 30,526,287	\$ 33,215,388	\$ (2,689,101)	\$ 322,228	\$ 305,460	\$ 16,768
Capital assets, net	33,987,520	32,167,651	1,819,869	84,484	67,294	17,190
<b>Total assets</b>	<b>64,513,807</b>	<b>65,383,039</b>	<b>(869,232)</b>	<b>406,712</b>	<b>372,754</b>	<b>33,958</b>
Long-term obligations outstanding	30,676,746	30,022,088	654,658	65,096	57,066	8,030
Other liabilities	19,267,585	18,072,428	1,195,157	85,348	97,626	(12,278)
<b>Total liabilities</b>	<b>49,944,331</b>	<b>48,094,516</b>	<b>1,849,815</b>	<b>150,444</b>	<b>154,692</b>	<b>(4,248)</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	6,428,450	5,322,325	1,106,125	84,484	67,294	17,190
Restricted	3,676,996	5,096,533	(1,419,537)	-	-	-
Unrestricted	4,464,030	6,869,665	(2,405,635)	171,784	150,768	21,016
<b>Total net assets</b>	<b>\$ 14,569,476</b>	<b>\$ 17,288,523</b>	<b>\$ (2,719,047)</b>	<b>\$ 256,268</b>	<b>\$ 218,062</b>	<b>\$ 38,206</b>

The District continued to address the usefulness of its buildings in fiscal year 2012. After closing Milton Elementary at the end of the 2010-2011 school year and also moving the District's administrative offices from an old school building into a smaller office building, the District had no need for the vacated buildings. The District also owned vacant land and the South Main Elementary building which was closed in 2005 but leased out for one dollar per year to a non-profit agency. All four of these properties

# BOWLING GREEN CITY SCHOOL DISTRICT

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012*

were sold at auction with closings in July and August, 2011. Further evaluation of the remaining four elementary buildings led to the decision to add on to and renovate Crim Elementary to have the same number of K-5 classrooms as Conneaut and Kenwood Elementaries as well as to bring preschool classes into that building. A \$1,250,000 permanent improvement levy tax anticipation note was issued to help finance this construction project along with using existing funds designated for permanent improvements. The Crim construction project is in progress and expected to be completed by December, 2012. [Ridge Elementary will be closed at the end of 2012-2013 school year, bringing the number of elementary buildings down to three for the 2013-2014 school year.] These activities account for the changes in Net Capital Assets in fiscal year 2012 as well as the decrease in current assets. While the District paid off its 1995 general obligation bond issue in December, 2011, the new note issue contributed to the increase in long-term liabilities.

Changes in Net Assets - The following table shows the changes in net assets for the fiscal year ending June 30, 2012 as compared with 2011:

	Governmental Activities			Business-type Activities		
	2012	2011	Increase/ (Decrease)	2012	2011	Increase/ (Decrease)
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 782,822	\$ 863,524	\$(80,702)	\$ 601,401	\$ 622,245	\$(20,844)
Operating grants	2,422,744	2,804,913	(382,169)	634,982	624,019	10,963
<b>General revenues</b>						
Property and income taxes	18,095,230	20,827,638	(2,732,408)	-	-	-
Unrestricted grants	10,351,706	10,732,264	(380,558)	-	-	-
Other	35,3274	191,294	161,980	659	816	(157)
<b>Total revenues</b>	<b>32,005,776</b>	<b>35,419,633</b>	<b>(3,413,857)</b>	<b>1,237,042</b>	<b>1,247,080</b>	<b>(10,038)</b>
<b>Expenses</b>						
Instruction	20,526,393	21,022,876	(496,483)	-	-	-
Support services	11,386,826	10,889,560	497,266	-	-	-
Noninstructional	354,009	415,808	(61,799)	-	-	-
Extracurricular Activities	95,3921	873,638	80,283	-	-	-
Operations and Maintenance	3,856,9	740,091	(701,522)	-	-	-
Interest and Fiscal Charges	1,191,529	1,207,730	(16,201)	-	-	-
Other	243,576	605,030	(361,454)	-	-	-
Food Service	-	-	-	1,186,734	1,203,705	(16,971)
Performing Arts Center	-	-	-	42,102	-	42,102
<b>Total expenses</b>	<b>34,694,823</b>	<b>35,754,733</b>	<b>(1,059,910)</b>	<b>1,228,836</b>	<b>1,203,705</b>	<b>25,131</b>
Transfers/Capital Contribution	(30,000)	-	(30,000)	30,000	-	30,000
<b>Change in Net Assets</b>	<b>(2,719,047)</b>	<b>(335,100)</b>	<b>(2,383,947)</b>	<b>38,206</b>	<b>43,375</b>	<b>(5,169)</b>
Beginning net assets	17,288,523	17,623,623	(335,100)	218,062	174,687	43,375
<b>Ending net assets</b>	<b>\$ 14,569,476</b>	<b>\$ 17,288,523</b>	<b>\$(2,719,047)</b>	<b>\$ 256,268</b>	<b>\$ 218,062</b>	<b>\$ 38,206</b>

### Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home with an assessed value of \$100,000 and taxed at 1.0 mill would pay \$35 in taxes at the time the levy is voted in. If during the County's reappraisal the home's assessed value was increased to \$200,000 (and this increase is comparable to increases for other property owners in the neighborhood) the effective tax rate would become 0.5 mills and the owner would continue to pay \$35 in property tax. However, the effective total millage cannot be reduced below 20 mills according to state statute. This maintenance of the amount of property taxes generated coupled with the state funding method cause school districts to regularly return to voters in order for revenues to keep pace with expenses. In addition to property taxes, residents of the school district pay .5% (one-half percent) of their income in school district income tax. Since the District must rely heavily on voter approval of operating tax issues, management of District resources is of utmost concern to both the administration and the voting public. The District uses a five-year financial forecast to determine whether current tax levies can sustain operations. The last forecast in the fiscal year ended June 30, 2012 reflects a need for

# BOWLING GREEN CITY SCHOOL DISTRICT

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012*

additional operating resources in fiscal year 2014 based upon the assumptions used in formulating the forecast.

Property and income taxes made up 56.5% of revenues for governmental activities of the Bowling Green City School District in fiscal year 2012 and 58.8% in fiscal year 2011. Property tax revenues decreased in fiscal year 2012 despite full collection of an emergency levy passed in November, 2010. Most of this decrease can be contributed to the decrease in property taxes collected before June 30, 2012 and considered available for revenue recognition. With the maturity of the 1995 general obligation bond issue, debt service property tax millage was decreased and there was also a reduction in tax generated by unvoted millage because of lower assessed property valuations. On the flip side, school district income tax collections were up 4.6% from fiscal year 2011 as the economy slowly recovered.

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

Revenue Source	2012		2011	
	Amount	% of Total	Amount	% of Total
General tax revenues	\$ 18,095,230	56.6%	\$ 20,827,638	58.8%
Unrestricted grants	10,351,706	32.3%	10,732,264	30.3%
Program revenues	3,205,566	10.0%	3,668,437	10.4%
Other revenues	353,274	1.1%	191,294	0.5%
Total Revenue	\$ 32,005,776	100.0%	\$ 35,419,633	100.0%

The District saw reductions in "hold harmless" payments from the State of Ohio that were implemented to offset the phase-out of tangible personal property tax. These payments dropped by \$572,990 in fiscal year 2012. This is an amount not to exceed 2% of *total revenues* according to the State's budget bill that went into effect July 1, 2011 with a further like reduction scheduled again for 2013. Program revenues were decreased primarily by the expiration of the Federal American Recovery and Reinvestment Act. Interest earnings, which are reported in other revenues, have not yet recovered from the sharp decline caused by the recessionary economy.

### *Business-type Activities*

Business-type activities account for the District's food service program. The District also began accounting for the usage of the Performing Arts Center (PAC) by outside groups as a business-type activity. The PAC operations were supported largely by a transfer from the General Fund in fiscal year 2012. Student lunch purchases decreased again during fiscal year 2012 although only half as much as in 2011 and there was once again a slight increase in the federal free and reduced lunch grant program. The net assets balance is healthy, but management will continue to keep a watch on future operations.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District's Governmental Funds reported a combined fund balance of \$10,738,852. This was a 26.5% drop from June 30, 2011. The schedule below indicates the fund balance and total change in fund balance by fund type as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General Fund	\$ 7,113,061	\$ 9,277,346	\$ (2,164,285)
Other Governmental	3,625,791	5,342,817	(1,717,026)
Total	\$ 10,738,852	\$ 14,620,163	\$ (3,881,311)

# BOWLING GREEN CITY SCHOOL DISTRICT

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012*

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Most of the decrease in the General Fund is the result of reduced revenues and the need to use accumulated resources to compensate while the decrease in Other Governmental Funds is mainly result of the use of funds for the Crim Elementary construction project discussed earlier in this presentation. The District has continued to reduce its overall spending as discussed further under "Economic Factors".

### *Budgetary Highlights*

A supplementary schedule is included after the Notes to the Financial Statements to present budgetary information for the General Fund of the District. No amendments were made to the General Fund appropriations. Budgeted revenues were revised mainly due to changes in tax information contained in the Certificate of Estimated Resources.

## **CAPITAL ASSETS AND LONG-TERM OBLIGATIONS ADMINISTRATION**

### *Capital Assets*

At June 30, 2012, the District had net capital assets in the amount of \$34,072,004 invested in land, buildings and improvements, furniture and equipment, and vehicles. As mentioned earlier in this discussion, several properties have been sold and an addition/renovation project is underway for Crim Elementary. A new bus was also purchased. Accordingly, net capital assets increased \$1,816,957. The District owns no infrastructure. The following table presents comparative balances for fiscal years 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	Total	Total
	2012	2011	2012	2011	2012	2011	Increase (Decrease)
Land	\$ 279,264	\$ 373,599	\$ -	\$ -	\$ 279,264	\$ 373,599	\$ (94,335)
Construction in Progress	3,114,194	-	-	-	3,114,194	-	3,114,194
Buildings & Improvements	39,911,914	40,596,679	-	-	39,911,914	40,596,679	(684,765)
Furniture & Equipment	4,168,224	4,216,313	320,658	313,323	4,488,882	4,529,636	(40,754)
Vehicles	2,042,292	1,953,628	20,102	-	2,062,394	1,953,628	108,766
Accumulated depreciation	(15,528,368)	(14,972,568)	(256,276)	(246,029)	(15,784,644)	(15,218,597)	(566,047)
Net Capital Assets	\$ 33,987,520	\$ 32,167,651	\$ 84,484	\$ 67,294	\$ 34,072,004	\$ 32,234,945	\$ 1,837,059

### *Long-term Obligations*

At June 30, 2012, the District's governmental activities had long-term liabilities totaling \$30,676,646. The District issued general obligation bonds in 2007 in the amount of \$27,500,000 for the construction of the middle school facility and a permanent improvement levy tax anticipation note (TAN) in the amount of \$1,250,000 for the Crim Elementary addition/renovation project in 2012. With the maturity of the 1995 general obligation bond issue, total outstanding general obligation bonds amount to \$25,505,000 with \$365,000 due within one year, and unamortized bond premium of \$1,193,754. The full amount of the 2012 TAN is outstanding with \$312,500 due within one year. The remaining long-term obligations consist of probable payments for compensated absences in the amount of \$2,727,992. These probable payments have decreased \$202,286 since June 30, 2011 as many more long-time employees have retired.

Under current state statutes, the District's debt issues are subject to a legal limitation of 9% of the total assessed value of real and personal property. At June 30, 2012, the District's outstanding debt was within the legal limit.

# BOWLING GREEN CITY SCHOOL DISTRICT

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012*

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### **ECONOMIC FACTORS**

The recession plaguing the whole country has been affecting the local economy for the last few years. While economists have opined that the recession in this country is over, growth in property tax revenues will lag because property revaluations are performed every six years with an update every three years. The State's financial situation is still uncertain and further reductions in state funding have been implemented in the State's biennial budget for fiscal years 2012 and 2013 with a new school funding formula being under formation. Interest rates dropped to near zero and still hover there resulting in little funding from interest revenues. Property tax revenue is affected by foreclosures and appeals for reduced property values, although the District itself has not been affected as badly as some districts in neighboring counties. Some proof of the slow economic recovery is in school district income tax collections rising 4.6% or \$124,042 from fiscal year 2011 to fiscal year 2012; the second year in a row.

State foundation funding had remained flat for years for Bowling Green City School District. Assessed local property values factor into this funding. Because property values in the District had increased over the years, the foundation formula assumed that property taxes also increased thereby reducing the District's need for state funding. However, as discussed in the Financial Analysis section of this narrative, property taxes do not actually grow with increased property values. Prior to 2006, the District had been on the "fiscal year 1998 guarantee" for state foundation funding. This meant the District had been guaranteed to receive the same amount of funding as it did seven years prior even though, based upon property values, state funding should be significantly less than received in fiscal year 1998. With the passage of the budget bills for fiscal years 2006 through 2009, the District went on the Transitional Aid Guarantee, which essentially equated to the "fiscal year 1998 guarantee" for this District because the Transitional Aid Guarantee ensured that the District would receive what it did in fiscal year 2005 – the same that it did in fiscal year 1998. A portion of this foundation funding was replaced with State Fiscal Stabilization Funds (SFSF) from the American Recovery and Reinvestment Act in fiscal years 2010 and 2011. When those SFSF funds were gone, the foundation funding was not reinstated to pre-2010 levels. Operating costs have, of course, risen far beyond 1998 levels despite the steps that have been taken to control personnel and other operating costs. Thus, the District is continually forced to seek additional taxes from its citizens to compensate for the lack of growth in state funding. The District continues to implement budget cuts where feasible. Another elementary building will be closed at the end of fiscal year 2013.

Significant changes were implemented in the tax structure by the Ohio General Assembly beginning in fiscal year 2006. Effective January 1, 2006, HB 66 phased out tangible personal property tax over a four year period with 2009 being the final year. These taxes had comprised approximately 10% of the District's revenues. HB 66 provided for "hold harmless" payments to replace these revenues through 2010 at which time these payments were scheduled to be phased out. HB 1 passed in 2009 retained the full amount of these payments through 2013 although the "hold harmless" payments would be in declining amounts, however, to reflect the phase-out of the inventory portion of tangible personal property that was already in law prior to the passage of HB 66. HB 153, the State's biennial budget for fiscal year 2012 and 2013 reduced the "hold harmless" payments up to 2% of the District's total revenues for each of the two years. In fiscal year 2012 this amounted to reduced revenues of \$572,990 and an additional reduction in a similar amount is expected for 2013. The State of Ohio has not had a funding formula in place for public schools for over a year. Instead, a "bridge" formula is a transitional approach being used until the current administration can determine a new funding mechanism. The details of this approach are described on the Ohio Department of Education's website on the Finance/State Funding for Schools page.

# BOWLING GREEN CITY SCHOOL DISTRICT

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012*

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

The Board of Education and the Administration of the Bowling Green City School District have committed themselves to providing a sound educational program for the citizens of the District while maintaining fiscal integrity. Accordingly, facilities, programs and operational practices have been and will continue to be under constant review to determine what, if any, changes are needed. Of note, since fiscal year 2005, the District has closed two of its six elementary buildings with a third closure planned for fiscal year 2014. In conjunction with these closures, the number of staff members has been reduced.

### *Contacting the District's Financial Management*

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Inquiries about this report may be directed to Rhonda Melchi, Treasurer, Bowling Green City School District, 137 Clough Street, Bowling Green, Ohio 43402.



Bowling Green City School District, Wood County  
Statement of Net Assets  
As of June 30, 2012

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,759,528	\$ 293,440	\$ 5,052,968
Cash in segregated accounts	139,939	-	139,939
Investments	7,059,864	-	7,059,864
Receivables			
Property taxes - current	16,770,490	-	16,770,490
Property taxes - delinquent	276,673	-	276,673
School district income tax	1,022,927	-	1,022,927
Accounts	696	500	1,196
Accrued interest	16,220	-	16,220
Intergovernmental	45,259	-	45,259
Materials & supplies inventory	86,069	27,270	113,339
Prepaid items	112,178	1,018	113,196
Deferred bond issuance costs	236,444	-	236,444
Nondepreciable capital assets	3,393,458	-	3,393,458
Depreciable capital assets, net	<u>30,594,062</u>	<u>84,484</u>	<u>30,678,546</u>
<b>Total assets</b>	<u><u>64,513,807</u></u>	<u><u>406,712</u></u>	<u><u>64,920,519</u></u>
<b>Liabilities</b>			
Accounts payable	1,203,519	-	1,203,519
Accrued wages and benefits	2,382,968	35,061	2,418,029
Intergovernmental payables	459,682	49,787	509,469
Deferred revenue	14,980,659	500	14,981,159
Retainage payable	136,939	-	136,939
Accrued interest payable	103,818	-	103,818
Long-term liabilities			
Due within one year	1,069,692	-	1,069,692
Due in more than one year	<u>29,607,054</u>	<u>65,096</u>	<u>29,672,150</u>
<b>Total liabilities</b>	<u><u>49,944,331</u></u>	<u><u>150,444</u></u>	<u><u>50,094,775</u></u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,428,450	84,484	6,512,934
Restricted for:			
Debt service	905,084	-	905,084
Capital projects	2,255,527	-	2,255,527
Other purposes	516,385	-	516,385
Unrestricted/undesignated	<u>4,464,030</u>	<u>171,784</u>	<u>4,635,814</u>
<b>Total net assets</b>	<u><u>\$ 14,569,476</u></u>	<u><u>\$ 256,268</u></u>	<u><u>\$ 14,825,744</u></u>

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

Bowling Green City School District, Wood County  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
Instruction	\$ 20,526,393	\$ 424,984	\$ 1,180,718	\$ (18,920,691)	\$ -	\$ (18,920,691)
Support services	11,386,826	94,268	901,402	(10,391,156)	-	(10,391,156)
Non-instructional	354,009		340,624	(13,385)	-	(13,385)
Extracurricular activities	953,921	263,570	-	(690,351)	-	(690,351)
Operations and maintenance	38,569	-	-	(38,569)	-	(38,569)
Interest and fiscal charges	1,191,529	-	-	(1,191,529)	-	(1,191,529)
Miscellaneous	243,576	-	-	(243,576)	-	(243,576)
Total governmental activities	<u>34,694,823</u>	<u>782,822</u>	<u>2,422,744</u>	<u>(31,489,257)</u>	<u>-</u>	<u>(31,489,257)</u>
Business-type activities						
Food service	1,186,734	589,056	634,982	-	37,304	37,304
Performing Arts Center operations	42,102	12,345	-	-	(29,757)	(29,757)
Total business-type activities	<u>1,228,836</u>	<u>601,401</u>	<u>634,982</u>	<u>-</u>	<u>7,547</u>	<u>7,547</u>
Totals	<u>35,923,659</u>	<u>1,384,223</u>	<u>3,057,726</u>	<u>(31,489,257)</u>	<u>7,547</u>	<u>(31,481,710)</u>
General Revenues						
Property taxes levied for:						
General purposes				13,819,024	-	13,819,024
Debt service				1,033,566	-	1,033,566
Capital outlay				403,767	-	403,767
Income taxes levied for general purposes				2,838,873	-	2,838,873
Grants & entitlements not restricted to specific programs				10,351,706	-	10,351,706
Payment in lieu of taxes				25,865	-	25,865
Investment earnings				55,374	417	55,791
Miscellaneous				272,035	242	272,277
Total general revenues				<u>28,800,210</u>	<u>659</u>	<u>28,800,869</u>
Transfers				(30,000)	30,000	-
Change in net assets				(2,719,047)	38,206	(2,680,841)
Net assets beginning of year				17,288,523	218,062	17,506,585
Net assets end of year				<u>\$ 14,569,476</u>	<u>\$ 256,268</u>	<u>\$ 14,825,744</u>

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

Bowling Green City School District, Wood County  
 Balance Sheet  
 Governmental Funds  
 As of June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 299,342	\$ 4,460,186	\$ 4,759,528
Cash in segregated accounts	3,000	136,939	139,939
Investments	6,783,364	276,500	7,059,864
Receivables:			
Property taxes	15,567,109	1,480,054	17,047,163
School district income taxes	1,022,927	-	1,022,927
Accounts	696	-	696
Intergovernmental	-	45,259	45,259
Accrued interest	15,992	228	16,220
Materials and supplies inventory	86,069	-	86,069
Prepaid items	112,178	-	112,178
<b>Total assets</b>	<b>\$ 23,890,677</b>	<b>\$ 6,399,166</b>	<b>\$ 30,289,843</b>
<b>Liabilities:</b>			
Accounts payable	\$ 58,009	\$ 1,145,510	\$ 1,203,519
Accrued wages and benefits	2,294,362	88,606	2,382,968
Compensated absences payable	110,551	-	110,551
Intergovernmental payable	418,453	41,229	459,682
Deferred revenue	13,896,241	1,361,091	15,257,332
Retainage payable	-	136,939	136,939
<b>Total liabilities</b>	<b>16,777,616</b>	<b>2,773,375</b>	<b>19,550,991</b>
<b>Fund balances:</b>			
Nonspendable	198,247	60,807	259,054
Restricted	-	3,602,293	3,602,293
Committed	823,613	-	823,613
Assigned	3,813,971	-	3,813,971
Unassigned	2,277,230	(37,309)	2,239,921
<b>Total fund balances</b>	<b>7,113,061</b>	<b>3,625,791</b>	<b>10,738,852</b>
Total liabilities and fund balances	<b>\$ 23,890,677</b>	<b>\$ 6,399,166</b>	<b>\$ 30,289,843</b>

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

*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
As of June 30, 2012*

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<b>Total Governmental Fund Balances</b>	\$ 10,738,852
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Delinquent property taxes are not available to pay for current period expenditures, and are, therefore, deferred in the funds	276,673
Capital assets used in governmental activities are not resources and therefore are not reported in the funds	33,987,520
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(30,433,569)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 14,569,476</u></u>

Bowling Green City School District, Wood County  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 13,839,066	\$ 1,437,334	\$ 15,276,400
School district income taxes	2,838,873	-	2,838,873
Tuition and fees	439,316	-	439,316
Intergovernmental	10,229,852	2,544,598	12,774,450
Interest	51,545	3,829	55,374
Extracurricular activities	42,438	221,132	263,570
Gifts and donations	-	18,700	18,700
Charges for services	4,446	-	4,446
Miscellaneous	122,970	49,255	172,225
<b>Total Revenues</b>	<b>27,568,506</b>	<b>4,274,848</b>	<b>31,843,354</b>
<b>Expenditures:</b>			
Current:			
Instruction	18,814,968	959,804	19,774,772
Support services	10,248,561	943,180	11,191,741
Non-instructional services	937	344,337	345,274
Extracurricular activities	662,640	250,433	913,073
Capital outlay	-	3,328,047	3,328,047
Debt service			
Principal	-	340,000	340,000
Interest	-	1,233,014	1,233,014
<b>Total expenditures</b>	<b>29,727,106</b>	<b>7,398,815</b>	<b>37,125,921</b>
Excess (deficiency) of revenues over expenditures	(2,158,600)	(3,123,967)	(5,282,567)
<b>Other financing sources (uses)</b>			
Operating transfers (out)	(30,000)	-	(30,000)
Proceeds from note issue	-	1,250,000	1,250,000
Proceeds from sale of capital assets	3,925	157,054	160,979
Other financing sources	20,463	1,022	21,485
Other financing (uses)	(73)	(1,135)	(1,208)
<b>Total other financing sources (uses)</b>	<b>(5,685)</b>	<b>1,406,941</b>	<b>1,401,256</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(2,164,285)	(1,717,026)	(3,881,311)
<b>Fund balance July 1</b>	<b>9,277,346</b>	<b>5,342,817</b>	<b>14,620,163</b>
<b>Fund balance June 30</b>	<b>\$ 7,113,061</b>	<b>\$ 3,625,791</b>	<b>\$ 10,738,852</b>

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

*Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

**Net Change in Fund Balances - Total Governmental Funds** \$ (3,881,311)

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

Certain property taxes reported on the statement of activities do not provide current financial resources so are not reported as revenue in governmental funds (20,042)

The net effect of various miscellaneous transactions involving capital assets (i.e., purchases, sales, disposals, trade-ins, and donations) is to increase net assets. 1,819,869

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities. Likewise, the issuance of tax anticipation notes provides a financing source in the governmental funds, but increases long-term liabilities in the statement of net assets. (910,000)

Some expenses reported in the statement of activities, such as compensated absences payable and amortization of bond premiums, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 272,437

**Change in Net Assets of Governmental Activities** \$ (2,719,047)

Bowling Green City School District, Wood County  
Statement of Net Assets  
Proprietary Funds  
As of June 30, 2012

	Business-Type Activities - Enterprise Funds
<b>Assets:</b>	
Cash and cash equivalents	\$ 293,440
Receivables (net of allowances for uncollectibles)	
Accounts	500
Materials and supplies inventory	27,270
Prepaid items	1,018
<b>Total current assets</b>	322,228
Capital assets, net	84,484
<b>Total assets</b>	406,712
<b>Liabilities:</b>	
Accrued wages and benefits	35,061
Intergovernmental payable	49,787
Deferred Revenue	500
Compensated absences payable	65,096
<b>Total liabilities</b>	150,444
<b>Net assets</b>	
Invested in capital assets	84,484
Unrestricted	171,784
<b>Total net assets</b>	\$ 256,268

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

Bowling Green City School District, Wood County  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

	Business-Type Activities- Enterprise Fund
<b>Operating revenues:</b>	
Sales	\$ 589,056
Other operating revenues	12,587
<b>Total operating revenues</b>	601,643
<b>Operating expenses:</b>	
Salaries and wages	442,971
Fringe benefits	172,338
Purchased services	6,717
Materials and supplies	468,532
Cost of sales	121,200
Depreciation	10,247
Other operating expenses	6,831
<b>Total operating expenses</b>	1,228,836
Operating income (loss)	(627,193)
<b>Nonoperating revenues (expenses):</b>	
Interest revenue	417
Federal and state subsidies	513,782
Federal donated commodities	121,200
<b>Total nonoperating revenues (expenses)</b>	635,399
Change in net assets before transfers	8,206
Operating transfers-in	30,000
Change in net assets	38,206
<b>Net assets at July 1</b>	218,062
<b>Net assets at June 30</b>	\$ 256,268

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



Bowling Green City School District, Wood County  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2012

	<u>Business-Type Activities- Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from sales	\$ 589,056
Cash received from charges for services	12,345
Cash received from other revenues	299
Cash payments for employee services	(446,840)
Cash payments for employee benefits	(174,104)
Cash payments for contract services	(6,717)
Cash payments for supplies and materials	(475,752)
Cash payments for other expenses	(6,962)
Net cash provided by (used for) operating activities	(508,675)
Cash flows from noncapital financing activities:	
Federal and state subsidies	513,782
Operating transfers in	30,000
Net cash provided by noncapital financing activities	543,782
Cash flows from investing activities:	
Interest on investments	417
Net cash provided by investing activities	417
Cash flows from capital and related financing activities:	
Acquisition/Disposition of capital assets	(27,437)
Net cash used for capital and related financing activities	(27,437)
Net increase (decrease) in cash and cash equivalents	8,087
Cash and cash equivalents at beginning of year	285,353
Cash and cash equivalents at end of year	\$ 293,440
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (627,193)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation	10,247
Other adjustments to non-operating income	121,200
Changes in assets and liabilities:	
Materials and Supplies inventory	(7,220)
Receivables	(443)
Prepayments	(1,018)
Accrued wages and benefits	(11,164)
Compensated absences payable	8,030
Intergovernmental payable	(1,614)
Deferred revenue	500
Net cash provided by (used for) operating activities	\$ (508,675)

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

Bowling Green City School District, Wood County  
Statement of Net Assets  
Fiduciary Fund  
As of June 30, 2012

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 78,232
Total assets	<u>78,232</u>
Liabilities:	
Due to students	71,636
Other current liabilities	6,596
Total liabilities	<u>78,232</u>
Net assets	<u>\$ -</u>

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

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1- DESCRIPTION OF THE SCHOOL DISTRICT

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

The District serves 3,122 students and encompasses an area of approximately one hundred fifty square miles. The District regularly employs 218 licensed/certificated employees and 109 non-certificated/licensed employees. In addition, the District employed substitute employees to cover the duties of absent bus drivers while contracting with an employment service for all other substitute employees and certain paraprofessionals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (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 District also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989 to its governmental and proprietary activities provided they do not conflict or contradict GASB pronouncements. The District has elected not to apply FASB Standards and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds. Governmental Accounting Standards Board (GASB) pronouncements are applied after this date. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity as amended by GASB Statement No. 39 determining whether certain organizations are component units. The financial statements of the reporting entity include those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

*Jointly Governed Organization:*

Penta Career Center: an Ohio Vocational School District

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

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

Non-public Schools

Non-public schools located within the District boundaries include: St. Aloysius and St. Louis Elementary Schools, the Montessori School of Bowling Green, Bowling Green Christian Academy and Plan, Do and Talk Primary. These non-public schools are operated independently of the District. The District receives and disburses auxiliary services

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. The Reporting Entity (Continued)

money from the State for support of these non-public schools as directed by these non-public schools. The receipt and expenditure of these auxiliary services monies are accounted for by the District and are reflected in a Special Revenue Fund for financial reporting purposes, but the non-public schools' operations are not reflected in the accompanying financial statements.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

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

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

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus – Financial Statements

*Government-wide Financial Statements*

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

*Fund Financial Statements*

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

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

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus– Financial Statements (Continued)

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

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

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

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

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The District reports deferred revenues on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2012, have also been reported as deferred revenue.

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.

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except agency) while GASB requires only the general and any major special revenue funds to be reported in the supplementary schedules presenting budgetary information. The specific timetable for fiscal year 2012 is as follows:

1. Pursuant to Section 5705.281, ORC, the Wood County Budget Commission has waived the requirement for school districts to adopt a tax budget. In place of the tax budget, the District must submit an estimate of revenues for the fiscal year commencing the following July 1 for all funds by no later than January 20 of the preceding fiscal year.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must prepare a budget in which total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. This budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary schedule reflect the amounts set forth in the Amended Official Certificate of Estimated Resources and the final Amended Certificate issued for fiscal year 2012.

BOWLING GREEN CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (Continued)

3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. While the District uses an expenditure account coding system consisting of a minimum of fund number, a four digit function, and a three digit object, the Board adopted appropriation is at the fund and first digit of function level of expenditures for the General Fund and at the fund level for all other district funds. These are considered the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation or alter first digit function appropriations within the General Fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

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

6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2012.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, first digit function level for the General fund and the fund level for all other funds.

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

F. Cash and Investments

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired by the District) which are stated at cost. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Under existing Ohio statutes, all investment earnings are credited to the General Fund except those specified according to Board Resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest revenue credited to the General fund during fiscal year 2012 amounted to \$51,545 while interest in the amount of \$4,246 was credited to other District funds.



BOWLING GREEN CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments (Continued)

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2012.

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

An analysis of the District's investment account at year end is provided in Note 5.

G. Inventory

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

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

H. Prepaids

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

I. Capital Assets and Depreciation

Property, Plant and Equipment – Governmental Activities

Capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the Governmental Funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$3,000 and a useful life of less than five years.

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

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

Depreciation

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

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

J. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

K. Compensated Absences

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

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

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

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

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

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

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

M. Fund Balance

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

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted* – Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). The committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. 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 fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned and unassigned) fund balance is available. Similarly, within the unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings 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 the enabling legislation 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 public school support, district managed activities and auxiliary services.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Interfund Transactions

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

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

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

P. 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.

Q. Unamortized Issuance Costs/Bond Premium

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and GASB Statement No. 64 “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53”.

BOWLING GREEN CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)

A. Change in Accounting Principles (Continued)

GASB Statement No. 57 addresses issues related to the use of alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Fund Balance Deficits

Fund balances at June 30, 2012, included the following individual fund deficits:

<u>NonMajor Funds</u>	<u>GAAP Basis</u>
IDEA – Special Education, Part B	\$(29,720)
Title I – Targeted Assistance Grant Fund	(4,966)
Title II-A Grant Fund	(2,623)

These funds complied with Ohio requirements, which do not permit cash basis deficits at year-end unless cash request has been submitted to the Ohio Department of Education prior to year-end. The GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

*Long-term liabilities not reported in the funds:*

Accrued Note Interest	\$ ( 2,604)
Accrued Bond Interest	(101,214)
Notes Payable	(1,250,000)
Bonds Payable	(25,505,000)
Less: deferred bond charges (to be amortized over life of debt)	236 ,444
Plus: issuance premium (to be amortized as interest expense)	(1,193,754)
Compensated absences	(2,617,441)
	<u>\$ (30,433,569)</u>

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)

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

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

*Amounts by which capital outlay exceeded asset disposals and depreciation in the current period:*

Capital Outlay	\$ 3,464,486
Asset disposals, net	(245,468)
Depreciation expense	<u>(1,399,149)</u>
	<u>\$ 1,819,869</u>

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

Compensated absences	\$ 230,952
Accrued interest	(1,063)
Amortization of bond issuance costs	(10,508)
Amortization of bond premium	<u>53,056</u>
	<u>\$ 272,437</u>

NOTE 5 – EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the District has not purchased these types of investments or issued these types of notes.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

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

**Cash in Segregated Accounts:** At fiscal year-end \$136,939 was maintained in depository accounts that the District established for funds related to retainage set-aside for the construction project. These depository accounts are included in the total "Deposits" in the next paragraph. The District also had \$3,000 in athletic checking accounts which is also included in the total "Deposits".

BOWLING GREEN CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

**Deposits:** At June 30, 2012, the carrying amount of the District's deposits was \$12,026,658 and the bank balance was \$12,831,145. Of the entire bank balance, \$7,569,868 was covered by federal depository insurance while \$5,261,277 was exposed to custodial credit risk as described in GASB Statement No. 40 further discussed below.

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

**Investments:**

As of June 30, 2012, the District had the following investments and maturities:

	<u>Maturities</u>	<u>Fair Value</u>
STAR Ohio	n/a	\$ 303,712

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

**Credit Risk:** The District's investment policy limits investments to securities specifically authorized by the Ohio Revised Code. As of June 30, 2012, the District's investments consisted of STAR Ohio (the State investment pool) which was rated AAAM by Standard & Poor's. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk; however, the District minimizes custodial credit risk by utilizing multiple safekeeping agents for its book-entry securities.

**Concentration of Credit Risk:** The District places no limit on the amount that may be invested in any one issuer, although Ohio law sets limits on investments in commercial paper. One hundred percent of the investments held at June 30, 2012, were in the State investment pool.

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

Cash and Investments per footnote:	
Cash on hand	\$ 633
Carrying amount of deposits	12,026,658
Investments	303,712
Total	\$12,331,003
Cash and Investments per Statements of Net Assets:	
Government Wide	\$12,252,771
Fiduciary Funds	78,232
	\$12,331,003



BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 – TAXES

A. Property Tax

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

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

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

In 2005, the General Assembly of the State of Ohio passed the State Biennial Budget Bill (HB 66) that phased-out Tangible Personal Property Tax over a four-year period beginning January 1, 2006 thus reducing the assessed rate each calendar year by 25% such that the tax was fully phased out in 2009. Based upon 2004 personal property values, "hold harmless" payments were to be made by the State to replace this revenue source for school districts through fiscal year 2010 at which time these payments would also be phased out. The State Biennial Budget Bill (HB 1) passed in 2009 extended the full reimbursement through fiscal year 2013, however, the State Biennial Budget Bill (HB 153) passed in 2011 accelerated this phase-out. The reimbursement phase-out of 2% of total District revenues for each year of the budget began in August, 2011. The District received "hold harmless" payments in fiscal year 2012 in the amount of \$2,230,899, a reduction of \$572,990 from fiscal year 2011 payments.

The total assessed value upon which the 2012 taxes were collected was \$584,590,190. Agricultural/Residential, public utility and mineral real estate represented 66.4% or \$388,178,310 of this total; Commercial & Industrial real estate represented 32.6% or \$190,608,450; and public utility tangible 1% or \$5,803,430. Tax exempt property in the District totaled \$260,873,800. The voted general tax rate for operations at the fiscal year ended June 30, 2012, was \$49.70 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$1.90 per \$1,000.00 of assessed valuation; and the voted rate for permanent improvements was \$1.20 per \$1,000.00 of assessed valuation.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, in accordance with GASB 33, as of June 30, 2012. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

B. School District Income Tax

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

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012, consisted of taxes, accounts (charges for services and fees), accrued interest, and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of the specific State programs.

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2012, consisted of \$30,000 from the General Fund to the Performing Arts Center Operations fund and \$420,000 from the General Fund to the Severance Benefits Fund. The transfer to the Severance Benefits Fund has been eliminated on the financial statements due to the GASB 54 reclassification of that fund as part of the General Fund. The transfers were accounted for in accordance with budgetary authorizations and with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 9 - CAPITAL ASSETS

The following is a summary by category of changes in governmental activities capital assets at June 30, 2012:

<i>Historical Cost:</i>				
<u>Asset Category</u>	Balance at <u>7/1/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/12</u>
<i>Nondepreciable:</i>				
Land	\$ 373,599	\$ -	\$ 94,335	\$ 279,264
Construction in Progress	-	3,114,194	-	3,114,194
	<u>\$ 373,599</u>	<u>\$ 3,114,194</u>	<u>\$ 94,335</u>	<u>\$3,393,458</u>
<i>Depreciable:</i>				
Buildings & Improvements	40,596,679	188,312	873,077	39,911,914
Furniture/Equipment	4,216,313	48,727	96,816	4,168,224
Vehicles	1,953,628	113,253	24,589	2,042,292
Total Depreciable Assets	<u>46,766,620</u>	<u>350,292</u>	<u>994,482</u>	<u>46,122,430</u>
Total General Capital Assets	<u>\$ 47,140,219</u>	<u>\$ 3,464,486</u>	<u>\$ 1,088,817</u>	<u>\$ 49,515,888</u>
<i>Accumulated Depreciation:</i>				
<u>Asset Category</u>	Balance at <u>7/1/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/12</u>
Buildings & Improvements	11,538,292	1,010,155	730,307	11,818,140
Furniture/Equipment	2,134,346	291,436	92,869	2,332,913
Vehicles	1,299,930	97,558	20,173	1,377,315
Total Accumulated Depreciation	<u>14,972,568</u>	<u>1,399,149</u> *	<u>843,349</u>	<u>15,528,368</u>
<i>Net Capital Assets:</i>	<u>\$ 32,167,651</u>	<u>\$ 2,065,337</u>	<u>\$ 245,468</u>	<u>\$ 33,987,520</u>

\* Depreciation expenses were charged to governmental functions as follow:

Instruction	\$ 956,197
Support Services	389,231
Noninstructional Activities	14,577
Extracurricular Activities	39,144
Total Depreciation Expense	<u>\$ 1,399,149</u>

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS (Continued)

A summary of the proprietary capital assets at June 30, 2012, follows:

	Balance at <u>7/1/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/12</u>
<i>Depreciable:</i>				
Furniture/Equipment	\$ 313,323	\$ 7,335	\$ -	\$ 320,658
Vehicles	-	20,102	-	20,102
Total Depreciable Assets	<u>\$ 313,323</u>	<u>\$ 27,437</u>	<u>-</u>	<u>\$ 340,760</u>
<i>Accumulated Depreciation:</i>				
Furniture/Equipment	(246,029)	10,247	-	(256,276)
Vehicles	-	-	-	-
Total Accumulated Depreciation	<u>(246,029)</u>	<u>10,247</u>	<u>-</u>	<u>(256,276)</u>
Net Capital Assets:	<u>\$ 67,294</u>	<u>\$ 17,190</u>	<u>\$ -</u>	<u>\$ 84,484</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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

A. . The following is a description of the Bowling Green City School District notes outstanding as of June 30, 2012:

	Interest <u>Rate</u>	Issue <u>Date</u>	Maturity <u>Date</u>	Notes Outstanding At <u>7/1/11</u>	New Issues During <u>2012</u>	Retired In <u>2012</u>	Notes Outstanding At <u>6/30/12</u>	Due Within <u>1 Year</u>
2012 Permanent Improvement Levy Tax Anticipation Note	2.5%	2/15/12	12/1/2015	\$ -0-	\$1,250,000	\$ -0-	\$ 1,250,000	\$ 312,500

B. The following is a summary of the District's future annual debt service requirements to maturity for tax anticipation notes:

Year Ending <u>June 30</u>	Principal on <u>TAN</u>	Interest on <u>TAN</u>	<u>Total</u>
2013	\$ 312,500	\$ 27,344	\$ 339,844
2014	312,500	19,531	332,031
2015	312,500	11,719	324,219
2016	312,500	3,906	316,406
Total	<u>\$1,250,000</u>	<u>\$ 62,500</u>	<u>\$1,312,500</u>

C. The following is a description of the Bowling Green City School District bonds outstanding as of June 30, 2012:

	Interest <u>Rate</u>	Issue <u>Date</u>	Maturity <u>Date</u>	Bonds Outstanding At <u>7/1/11</u>	New Issues During <u>2012</u>	Retired In <u>2012</u>	Bonds Outstanding At <u>6/30/12</u>	Due Within <u>1 Year</u>
1995 Refunding Building Improvements	4.5- 5.7%	6/8/1995	12/1/2011	\$ 300,000	\$-0-	\$300,000	\$ -	\$ -
2007 School Facilities Construction and Improvement	3.5- 5.0%	3/22/2007	12/1/2034	\$25,545,000	\$-0-	\$40,000	\$25,505,000	\$ 365,000

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

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

Year Ending <u>June 30</u>	Principal on <u>General Obligation</u>	Interest on <u>General Obligation</u>	<u>Total</u>
2013	365,000	1,208,175	1,573,175
2014	405,000	1,194,700	1,599,700
2015	450,000	1,179,175	1,629,175
2016	495,000	1,161,456	1,656,456
2017	540,000	1,142,050	1,682,050
2018-2022	3,575,000	5,271,550	8,846,550
2023-2027	5,475,000	4,154,750	9,629,750
2028-2032	7,955,000	2,535,688	10,490,688
2033-2035	<u>6,245,000</u>	<u>482,625</u>	<u>6,727,625</u>
Total	<u>\$25,505,000</u>	<u>\$ 18,330,169</u>	<u>\$43,835,169</u>

E. During the year ended June 30, 2012 the following changes occurred in Governmental Activities long-term liabilities:

<i>Governmental Activities:</i>					
	Balance at <u>7/1/11</u>	Increase	Decrease	Balance at <u>6/30/12</u>	Due Within <u>1 Year</u>
Compensated Absences:					
Sick leave (severance)	\$ 2,658,722	\$ 620,728	\$ 780,043	\$ 2,499,407	\$ 110,551
Vacation	271,556	199,266	242,237	228,585	228,585
Tax Anticipation Notes	-0-	1,250,000	-0-	1,250,000	312,500
General Obligation Bonds	25,845,000	-	340,000	25,505,000	365,000
Unamortized Bond Premium	1,246,810	-	53,056	1,193,754	53,056
Total	<u>\$30,022,088</u>	<u>\$ 2,069,994</u>	<u>\$1,415,336</u>	<u>\$30,676,746</u>	<u>\$1,069,692</u>
 <i>Business-type Activities:</i>					
Compensated Absences:					
Sick leave (severance)	<u>\$ 57,066</u>	<u>\$11,086</u>	<u>\$3,056</u>	<u>\$65,096</u>	<u>\$ -</u>

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

As of fiscal year end, \$389,684 of the note proceeds was obligated but unspent.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, general liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents have a liability limit of \$100,551,271 with 100% co-insurance. The District's fleet insurance policy has a liability limit of \$1,000,000 each occurrence. The District has liability insurance coverage limits of \$4,000,000 each occurrence and \$6,000,000 annual aggregate.

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

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - RISK MANAGEMENT (Continued)

*Wood County Schools Health Insurance Consortium*

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

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

*NBEC Worker's Compensation Group Rating*

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and Bowling Green City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers by the SERS' Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions to SERS for pension obligations and death benefits for the fiscal years ended June 30, 2012, 2011, and 2010 were \$484,645, \$439,894, and \$468,693, respectively. As of June 30, 2012, 45.52 percent has been contributed for fiscal year 2012 and one hundred percent for fiscal years 2011 and 2010. The unpaid contribution for fiscal year 2012 of \$291,052 is recorded as a liability within the respective funds.

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,990,401, \$2,053,444 and \$2,037,364, respectively; 83.78 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The unpaid contributions of \$347,712 for fiscal year 2012 are recorded as a liability within the respective funds.

BOWLING GREEN CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$50,842, \$83,565 and \$47,252, respectively; 45.52 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

BOWLING GREEN CITY SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$28,621, \$28,308 and \$27,872, respectively; 45.52 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$153,108, \$157,957 and \$156,720, respectively; 83.78 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 14 - OTHER EMPLOYEE BENEFITS - DEFERRED COMPENSATION PLANS

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

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

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.



BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - SET-ASIDES (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	523,071
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(701,637)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (178,566)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2012, the District has entered into various contractual commitments for an addition/renovation of Crim Elementary School. A summary of the significant contractual commitments still outstanding at June 30, 2012, follows:

<u>Contract</u>	<u>Contractual Cost Estimate</u>	<u>Total Paid through June 30, 2012</u>	<u>Remaining Contractual Commitments</u>
Construction	\$ 4,330,430	\$ 1,574,732	\$ 2,755,698
Miscellaneous architect and professional services	311,172	245,215	65,957
Total	<u>\$ 4,641,602</u>	<u>\$ 1,819,947</u>	<u>\$ 2,821,655</u>

NOTE 17 - OTHER COMMITMENTS

The District uses encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 275,433
Other Governmental	<u>2,846,261</u>
Total	<u>\$ 3,121,694</u>

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 18 - FUND BALANCES

As of June 30, 2012, fund balances are composed of the following:

	General	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>			
Inventory	\$ 86,069		\$ 86,069
Prepaid items	112,178		112,178
Memorials Principal		60,807	60,807
<i>Restricted:</i>			
State Grants		8,605	8,605
Extracurricular activities		67,340	67,340
Buildings and Improvements		2,501,696	2,501,696
Debt Service		905,084	905,084
Instructional Enhancements		51,454	51,454
Non-Public Schools		68,114	68,114
<i>Committed:</i>			
Severance Benefits	823,613		823,613
<i>Assigned:</i>			
Future Appropriations	3,539,427		3,539,427
Public School Support	32,012		32,012
Student Instruction	49,390		49,390
Student and Staff Support	193,142		193,142
Unassigned	2,277,230	(37,309)	2,239,921
Total Funds Cash Balance	<u>\$ 7,113,061</u>	<u>\$ 3,625,791</u>	<u>\$ 10,738,852</u>

Restricted fund balances are constrained by externally imposed requirements by grantors, laws and regulations. Committed fund balances have been established by the Board of Education through resolution or contractual obligations. Board action would be necessary to reverse the purposes for which such funds have been committed. Assigned fund balances are intended to be used for the specified purposes as determined either by the fiscal officer as directed by Section 5705.41(D), Ohio Revised Code or other authoritative guidelines. The District considers all fund balances to be spent when an expenditure is incurred for purposes for which the balance is available or could be used.

BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 19 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

**REQUIRED SUPPLEMENTARY  
INFORMATION**

Bowling Green City School District, Wood County  
Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
Budget to Actual (Budgetary Basis) - General Fund  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
From local sources:				
Taxes	\$ 18,148,620	\$ 18,352,873	\$ 18,222,642	\$ (130,231)
Intergovernmental	10,059,315	10,041,070	10,229,852	188,782
Interest	75,000	50,000	54,904	4,904
Tuition and fees	25,000	50,000	439,316	389,316
Charges for services	-	-	5,350	5,350
Miscellaneous	-	-	131,780	131,780
<b>Total revenues</b>	<b>28,307,935</b>	<b>28,493,943</b>	<b>29,083,844</b>	<b>589,901</b>
<b>Expenditures:</b>				
Current:				
Instruction	19,516,891	19,516,891	19,096,324	420,567
Support services	11,470,871	11,470,871	10,656,382	814,489
Non-instructional services	3,000	3,000	1,037	1,963
Extracurricular activities	640,295	640,295	583,720	56,575
<b>Total expenditures</b>	<b>31,631,057</b>	<b>31,631,057</b>	<b>30,337,463</b>	<b>1,293,594</b>
Excess (deficiency) of revenues over (under) expenditures	(3,323,122)	(3,137,114)	(1,253,619)	1,883,495
<b>Other financing sources (uses):</b>				
Operating transfers (out)	(450,000)	(450,000)	(450,000)	-
Proceeds from sale of capital assets	-	-	3,964	3,964
Refund of prior years expenditures	-	-	20,463	20,463
Refund of prior year receipts	(1,000)	(1,000)	(73)	927
<b>Total other financing sources (uses)</b>	<b>(451,000)</b>	<b>(451,000)</b>	<b>(425,646)</b>	<b>25,354</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,774,122)	(3,588,114)	(1,679,265)	1,908,849
<b>Fund balance, July 1</b>	<b>7,112,048</b>	<b>7,112,048</b>	<b>7,112,048</b>	<b>-</b>
Prior year encumbrances appropriated	411,405	411,405	411,405	-
<b>Fund balance, June 30</b>	<b>\$ 3,749,331</b>	<b>\$ 3,935,339</b>	<b>\$ 5,844,188</b>	<b>\$ 1,908,849</b>

**Note:**

While reporting financial position and changes in financial position/fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:

<u>Net Change in Fund Balances</u>	<u>General Fund</u>
Budget Basis	\$ (1,679,265)
Net adjustment for revenue accruals	(1,598,365)
Net adjustment for expenditure accruals	894,493
Adjustment for encumbrances	275,333
Reclassification of funds per GASB 54	(56,481)
GAAP Basis	<u>\$ (2,164,285)</u>

## **SUPPLEMENTARY DATA**

**BOWLING GREEN CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Child Nutrition Cluster:</b>				
(D) (E) School Breakfast Program	10.553	2012	\$ 90,076	\$ 90,076
(D) (E) National School Lunch Program	10.555	2012	413,067	413,067
(C) (D) National School Lunch Program - Food Donation	10.555	2012	121,200	121,200
<b>Total National School Lunch Program</b>			<b>534,267</b>	<b>534,267</b>
<b>Total U.S. Department of Agriculture and Child Nutrition Cluste</b>			<b>624,343</b>	<b>624,343</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant Cluster:</b>				
(F) (H) Title I Grants to Local Educational Agencies	84.010	2011	31,223	63,085
(F) (H) Title I Grants to Local Educational Agencies	84.010	2012	380,913	339,761
<b>Total Title I Grants to Local Educational Agencies</b>			<b>412,136</b>	<b>402,846</b>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Ac	84.389	2011	232,196	240,148
<b>Total Title I Grant Cluster</b>			<b>644,332</b>	<b>642,994</b>
ARRA - Education for Homeless Children and Youth, Recovery Ac	84.387	2011	5,534	5,534
<b>Special Education Grant Cluster:</b>				
(G) (H) Special Education_Grants to States	84.027	2011	31,219	46,060
(G) (H) Special Education_Grants to States	84.027	2012	743,182	706,855
<b>Total Special Education_Grants to States</b>			<b>774,401</b>	<b>752,915</b>
(G) ARRA - Special Education Grants to States, Recovery Ac	84.391	2011	115,357	116,258
(G) Special Education_Preschool Grants	84.173	2012	19,500	19,500
(G) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2011	3,403	3,403
<b>Total Special Education Grant Cluster</b>			<b>912,661</b>	<b>892,076</b>
(H) English Language Acquisition State Grants	84.365	2011	(11)	-
(H) English Language Acquisition State Grant	84.365	2012	8,509	8,203
<b>Total English Language Acquisition State Grant</b>			<b>8,498</b>	<b>8,203</b>
Improving Teacher Quality State Grants	84.367	2011	574	-
Improving Teacher Quality State Grants	84.367	2012	64,189	63,926
<b>Total Improving Teacher Quality State Grant</b>			<b>64,763</b>	<b>63,926</b>
Education Jobs Fund	84.410	2011	134	-
Education Jobs Fund	84.410	2012	333,096	318,450
<b>Total Education Jobs Fund</b>			<b>333,230</b>	<b>318,450</b>
<b>Total U.S. Department of Education</b>			<b>1,969,018</b>	<b>1,931,183</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 2,593,361</b>	<b>\$ 2,555,526</b>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the fair value.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2011	\$ 3,075	
Title I Grants to Local Educational Agencies	84.010	2012		\$ 3,075
Special Education_Grants to States	84.027	2011	731	
Special Education_Grants to States	84.027	2012		731
English Language Acquisition State Grant	84.365	2011	1,072	
English Language Acquisition State Grant	84.365	2012		1,072
<b>Totals</b>			<b>\$ 4,878</b>	<b>\$ 4,878</b>



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Accounting Standards***

Bowling Green City School District  
137 Clough Street  
Bowling Green, Ohio 43402

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, its major fund, and the aggregate remaining fund information of the Bowling Green City School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Bowling Green City School District's basic financial statements and have issued our report thereon dated November 29, 2012. 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 Bowling Green City School District'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 Bowling Green City School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Bowling Green City School District's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Bowling Green City School District's financial statements will not be prevented, or detected and timely corrected.

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

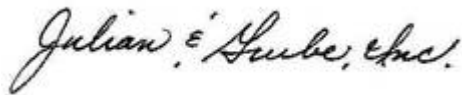


Board of Education  
Bowling Green City School District

Compliance and Other Matters

As part of reasonably assuring whether the Bowling Green City School District'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 intend this report solely for the information and use of the management and the Board of Education of the Bowling Green City School District, federal awarding agencies and pass-through entities, and others within the Bowling Green City School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 29, 2012



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountant's Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Bowling Green City School District  
137 Clough Street  
Bowling Green, Ohio 43402

To the Board of Education:

Compliance

We have audited the compliance of the Bowling Green City School District 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 Bowling Green City School District's major federal programs for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Bowling Green City School District's major federal programs. The Bowling Green City School District'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 opine on the Bowling Green City School District's compliance based on our audit.

Our compliance audit followed 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*. These 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 Bowling Green City School District's compliance with these 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 Bowling Green City School District's compliance with those requirements.

In our opinion, the Bowling Green City School District 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 fiscal year ended June 30, 2012.

Internal Control Over Compliance

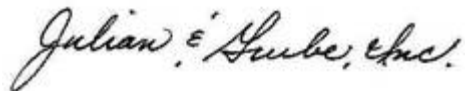
The Bowling Green City School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Bowling Green City School District'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 Bowling Green City School District's internal control over compliance.

Board of Education  
Bowling Green City School District

*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 intend this report solely for the information and use of the management and the Board of Education of the Bowling Green City School District, federal awarding agencies and pass-through entities, and others within the Bowling Green City School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 29, 2012

**BOWLING GREEN CITY SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010 and ARRA - Title I Grants to Local Educational Agencies, CFDA #84.389; Education Jobs Fund, CFDA #84.410
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

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

None



# Dave Yost • Auditor of State

**BOWLING GREEN CITY SCHOOL DISTRICT**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 29, 2013**