



Dave Yost • Auditor of State

**CITY OF BOWLING GREEN
WOOD COUNTY**

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WOOD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Playground and Recreation Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The comparative enterprise fund financial statements present additional analysis and are not a required part of the basic financial statements.

The Federal Award Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The statements and schedule are management's responsibility, and derive from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the statements and schedule 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, these statements and schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2013

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City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

The discussion and analysis of the City of Bowling Green's financial performance provides an overview of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2012 are as follows:

In total, the City's net position increased \$11,392,458, or 7 percent. Governmental activities increased 18 percent and business-type activities increased 4 percent.

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

One important aspect to consider with the Water and Sewer funds is that governmental funds finance a significant portion of water and sewer infrastructure improvements through a portion of the City's income tax. Of the one and one-half percent income tax that is divided by ordinance between various funds, the Sewer and Water Improvement fund receives 33.3 percent of the proceeds.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2012. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 presents a summary of the City's net position for 2012 and 2011.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Assets</u>						
Current and Other Assets	\$24,775,428	\$22,752,952	\$38,395,789	\$32,365,871	\$63,171,217	\$55,118,823
Capital Assets, Net	50,227,060	45,031,807	108,384,938	107,459,207	158,611,798	152,491,014
Investment in Joint Venture	0	0	10,151,736	10,744,563	10,151,736	10,744,563
Total Assets	<u>75,002,488</u>	<u>67,784,759</u>	<u>156,932,263</u>	<u>150,569,641</u>	<u>231,834,751</u>	<u>218,354,400</u>
<u>Deferred Outflows of Resources</u>	<u>239,246</u>	<u>0</u>	<u>134,319</u>	<u>0</u>	<u>373,565</u>	<u>0</u>
<u>Liabilities</u>						
Current and Other Liabilities	3,447,440	2,661,109	3,710,788	3,903,639	7,158,228	6,564,748
Long-Term Liabilities	32,465,151	31,788,950	12,153,372	13,390,955	44,618,523	45,179,905
Total Liabilities	<u>35,912,591</u>	<u>34,450,059</u>	<u>15,864,160</u>	<u>17,294,594</u>	<u>51,776,751</u>	<u>51,744,653</u>
<u>Deferred Inflows of Resources</u>	<u>2,300,093</u>	<u>2,044,204</u>	<u>2,273,471</u>	<u>0</u>	<u>4,573,564</u>	<u>2,044,204</u>
<u>Net Position</u>						
Net Investment in Capital Assets	39,374,799	34,269,902	104,506,456	102,485,082	143,881,255	136,754,984
Restricted	11,240,959	10,554,960	0	0	11,240,959	10,554,960
Unrestricted (Deficit)	(13,586,708)	(13,534,366)	34,422,495	30,789,965	20,835,787	17,255,599
Total Net Position	<u>\$37,029,050</u>	<u>\$31,290,496</u>	<u>\$138,928,951</u>	<u>\$133,275,047</u>	<u>\$175,958,001</u>	<u>\$164,565,543</u>

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

As reflected in the above table, the change in net position for governmental activities was an increase of 18 percent, or over \$5.7 million. There was an increase in cash and cash equivalents of \$1.3 million due, in large part, to unspent note proceeds at year end related to improvements for the aquatic center. This is also reflected in the increase in restricted net assets. The increase in net capital assets and invested in capital assets reflects capital assets additions not financed with debt. The increase in current and other liabilities is due to an increase in short-term bond anticipation notes.

Business-type activities reflect an increase in net position of \$5.6 million (4 percent). There was an increase in cash and cash equivalents (current and other assets) of \$6.2 million primarily due to the excess of revenues over expenses in the Electric enterprise fund (operating income for the Electric Fund, however, only reflects a \$3.4 million increase due to the increase in expenses over the prior year). This increase is also reflected in the increase in unrestricted net assets. The increase in net capital assets and invested in capital assets is largely due to the contribution of assets from governmental funds. The decrease in current and other liabilities as well as long-term liabilities is the result of debt retirement.

Table 2 reflects the change in net position for 2012 and 2011.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$4,120,498	\$3,979,701	\$49,510,747	\$50,666,816	\$53,631,245	\$54,646,517
Operating Grants, Contributions, and Interest	2,179,147	2,678,854	302,517	0	2,481,664	2,678,854
Capital Grants and Contributions	5,896,744	799,275	0	0	5,896,744	799,275
Total Program Revenues	<u>12,196,389</u>	<u>7,457,830</u>	<u>49,813,264</u>	<u>50,666,816</u>	<u>62,009,653</u>	<u>58,124,646</u>
General Revenues						
Property Taxes-General Purposes	1,463,354	1,635,563	0	0	1,463,354	1,635,563
Property Taxes-Playground and Recreation	569,082	639,292	0	0	569,082	639,292
Municipal Income Taxes	16,167,886	15,260,974	0	0	16,167,886	15,260,974
Other Local Taxes	1,959,175	2,081,408	0	0	1,959,175	2,081,408
Grants and Entitlements not Restricted to Specific Programs	1,683,772	1,691,216	0	0	1,683,772	1,691,216
Franchise Taxes	320,000	301,114	0	0	320,000	301,114
Interest	191,533	204,051	890	22,769	192,423	226,820
Other	686,276	250,519	1,267,366	1,152,247	1,953,642	1,402,766
Total General Revenues	<u>23,041,078</u>	<u>22,064,137</u>	<u>1,268,256</u>	<u>1,175,016</u>	<u>24,309,334</u>	<u>23,239,153</u>
Total Revenues	<u>35,237,467</u>	<u>29,521,967</u>	<u>51,081,520</u>	<u>51,841,832</u>	<u>86,318,987</u>	<u>81,363,799</u>

(continued)

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$5,430,502	\$5,592,238	\$0	\$0	\$5,430,502	\$5,592,238
Fire/Ambulance	5,546,732	5,661,189	0	0	5,546,732	5,661,189
Public Health	79,346	86,498	0	0	79,346	86,498
Leisure Time Activities	2,147,769	1,958,041	0	0	2,147,769	1,958,041
Community Environment	910,349	903,063	0	0	910,349	903,063
Basic Utility Services	618,008	601,968	0	0	618,008	601,968
Transportation	5,532,616	4,899,587	0	0	5,532,616	4,899,587
General Government						
Court	1,608,917	1,541,566	0	0	1,608,917	1,541,566
Other	3,027,525	7,005,590	0	0	3,027,525	7,005,590
Internal Service Fund External Portion	42,958	44,029	0	0	42,958	44,029
Interest and Fiscal Charges	997,382	1,032,250	0	0	997,382	1,032,250
Electric	0	0	39,566,375	38,186,046	39,566,375	38,186,046
Water	0	0	4,667,751	4,343,152	4,667,751	4,343,152
Sewer	0	0	4,750,299	5,026,383	4,750,299	5,026,383
Total Expenses	<u>25,942,104</u>	<u>29,326,019</u>	<u>48,984,425</u>	<u>47,555,581</u>	<u>74,926,529</u>	<u>76,881,600</u>
Increase in Net Assets						
Before Transfers	9,295,363	195,948	2,097,095	4,286,251	11,392,458	4,482,199
Transfers	<u>(3,556,809)</u>	<u>(2,954,658)</u>	<u>3,556,809</u>	<u>2,954,658</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	5,738,554	(2,758,710)	5,653,904	7,240,909	11,392,458	4,482,199
Net Assets Beginning of Year	<u>31,290,496</u>	<u>34,049,206</u>	<u>133,275,047</u>	<u>126,034,138</u>	<u>164,565,543</u>	<u>160,083,344</u>
Net Assets End of Year	<u>\$37,029,050</u>	<u>\$31,290,496</u>	<u>\$138,928,951</u>	<u>\$133,275,047</u>	<u>\$175,958,001</u>	<u>\$164,565,543</u>

For governmental activities, program revenues increased substantially (almost 64 percent) due to an increase in capital grants and contributions. The City received capital grants for improvements on North Main Street. There was a 4 percent increase in general revenues primarily due to an increase in municipal income taxes as economic conditions continue to improve.

There was a decrease in expenses from the prior year of over 11 percent; however, this was generally due to a \$3.9 million loss on the disposal of capital assets in the prior year. The City's largest governmental activities expenses are related to the police and fire departments.

As expected, program revenues make up a significant portion of the total revenues for business-type activities (over 97 percent). There was a modest decrease in revenues and a modest increase in expenses; however, revenues were in excess of expenses. This, combined with the contribution of capital assets, provided for the overall increase in net position.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Security of Persons and Property				
Police	\$5,430,502	\$5,592,238	\$5,056,361	\$5,267,323
Fire/Ambulance	5,546,732	5,661,189	5,138,023	5,236,223
Public Health	79,346	86,498	34,701	51,581
Leisure Time Activities	2,147,769	1,958,041	1,278,440	1,120,280
Community Environment	910,349	903,063	547,580	534,102
Basic Utility Services	618,008	601,968	(394,252)	474,050
Transportation	5,532,616	4,899,587	(1,575,127)	1,487,369
General Government				
Court	1,608,917	1,541,566	(150,607)	(107,305)
Other	3,027,525	7,005,590	2,804,272	6,762,835
Internal Service Fund External Portion	42,958	44,029	8,942	9,481
Interest and Fiscal Charges	997,382	1,032,250	997,382	1,032,250
Total Expenses	<u>\$25,942,104</u>	<u>\$29,326,019</u>	<u>\$13,745,715</u>	<u>\$21,868,189</u>

For 2012, there was a substantial increase in program revenues (due to the significant increase in capital grants and contributions), therefore, less costs had to be provided for through general revenues (primarily property taxes, income taxes, and unrestricted grants and entitlements). Note that general revenues provide for most of the costs of providing police, fire, and ambulance services (93 percent paid from general revenues). The programs receiving significant support through program revenues in 2012 included the leisure time activities program, which is supported through admission and sports fees, rentals, and concession charges. The community environment program received grant resources through the Ohio Department of Development for neighborhood stabilization efforts. The change in the net cost or services for the basic utility program was due to a grant received in 2012. The transportation program receives charges for services in the form of permissive motor vehicle license monies and operating grants in the form of State levied motor vehicle license fees and gas taxes. The municipal court receives substantial support through fines, costs, and fees as well as some support through grant resources.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Playground and Recreation special revenue fund, and the Sewer and Water Improvement and Street Repair capital projects funds. For 2012, the General Fund had a 22 percent increase in fund balance. Both revenues and expenditures were similar to the prior year; the increase is due to the excess of revenues over expenditures.

The Playground and Recreation Fund had an increase in fund balance of 6 percent due to an overall increase in tax revenues.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Fund balance in the Sewer and Water Improvement Fund increased over 5 percent. There were sizable increases in both revenues (25 percent) and expenditures (18 percent); however, the increase in revenues was greater. Revenues and expenditures can change dramatically in this fund from year to year depending upon projects undertaken by the City and the financing of those projects.

Fund balance in the Street Repair Fund decreased 56 percent due to projects undertaken during 2012.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, and Sewer funds. A review of the statement of revenues, expenses, and change in fund net position reveals an operating income for the Electric Fund, while the Water and Sewer funds had operating losses again in 2012. Net assets increased 8 percent in the Electric Fund. There was a modest decrease in revenues and an 8 percent increase in expenses, primarily due to higher purchased power costs.

Despite an operating loss in the Water and Sewer funds, these funds reflect an increase in net assets of over 3 percent and over 2 percent, respectively, due to the contribution of capital assets from governmental funds.

When considering the Water and Sewer funds, the one-half percent income tax that contributes to various water and sewer improvements must also be taken into account. During 2012, capital asset contributions from the Sewer and Water Improvement capital projects fund were \$1,760,093 in the Water Fund and \$1,792,678 in the Sewer Fund.

BUDGETARY HIGHLIGHTS

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

The City's most significant budgeted fund is the General Fund. For revenues, modifications from the original budget to the final budget and from the final budget to actual revenues were not significant. For expenditures, modifications from the original budget to the final budget were not significant; however modifications from the final budget to actual expenditures show that the City spent less than was appropriated by almost \$600,000. Even though the change was over \$600,000, there were no major changes in any one program.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2012, was \$39,374,799 and \$104,506,456, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; buildings; equipment; vehicles; streets; and electric, water, and sewer lines. Additions to governmental capital assets for 2012 consisted primarily of the construction in progress for the North Main Street project and of street improvements. The City also acquired land, the use of which is yet to be determined, and replaced some vehicles. The most significant additions for business-type activities were increases for various construction projects that were completed during 2012 and the replacement of vehicles. For further information regarding the City's capital assets, refer to Note 12 to the basic financial statements.

Debt - At December 31, 2012, the City had \$955,000 in outstanding bond anticipation notes, \$6,875,000 in general obligation bonds, and \$19,079,510 in OWDA loans payable from governmental activities. Business-type activities had \$157,601 in bond anticipation notes and \$3,855,000 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$5,368,422, as part of the City's agreement as a participant in the Ohio Municipal Electric Generation Agency Joint Ventures 2 and 6, to pay debt issued by AMP-Ohio to acquire capital assets for the joint ventures.

As well as the debt outlined above, the City's long-term obligations also include compensated absences and capital leases as well as the City's obligation to AMP-Ohio for the remainder of the stranded costs for the AMPGS project which was terminated. For further information regarding the City's debt, refer to Notes 19, 20, and 21 to the basic financial statements.

CURRENT ISSUES

Work continues on the major road widening project on North Main Street designed to add a center turn lane. Funding for the project is from federal stimulus funds as well as a local contribution. In March 2010, the City borrowed \$2.2 million in bond anticipation notes to finance the local share of the project. The note was renewed and increased in March 2011 to \$3.5 million, and in March 2012, a portion of the note was retired and a portion renewed for \$2.75 million. These resources are funded project startup costs, the acquisition of right of way, and to help fund the City's share of the construction. Completion of the project is expected in 2013.

In 2012, voters in the City approved an additional property tax to fund the replacement of the aquatic facility located in City Park. The twenty year tax will cover the anticipated debt payments for the project. A \$3.1 million bond anticipation note was issued in 2012 to cover the initial costs of construction. The City issued bonds in March 2013 to cover the full cost of the aquatic facility.

The City also issued bonds in March 2013 for the North Main Street widening project.

Work continues on various utility projects including the Poe and Mercer Road pump station, Conneaut Avenue lift station and force main replacement, and the East Gypsy Lane Road waterline. Low-interest OWDA loans and OWPC grants are funding these projects.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2012

REQUEST FOR INFORMATION

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

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City of Bowling Green
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$15,496,058	\$27,687,860	\$43,183,918
Cash and Cash Equivalents in Segregated Accounts	4,336	0	4,336
Cash and Cash Equivalents with Escrow Agents	56,988	0	56,988
Cash and Cash Equivalents with Fiscal Agents	0	1,917,902	1,917,902
Accounts Receivable	689,202	5,812,016	6,501,218
Accrued Interest Receivable	52,285	0	52,285
Due from Other Governments	1,808,808	3,641	1,812,449
Municipal Income Taxes Receivable	2,872,706	0	2,872,706
Other Local Taxes Receivable	51,849	134,592	186,441
Internal Balances	282,730	(282,730)	0
Prepaid Items	79,273	79,273	158,546
Materials and Supplies Inventory	0	1,142,985	1,142,985
Property Taxes Receivable	2,380,219	0	2,380,219
Notes Receivable	596,681	0	596,681
Special Assessments Receivable	404,293	0	404,293
Recovered Purchased Power Receivable	0	1,900,250	1,900,250
Nondepreciable Capital Assets	13,727,857	9,633,418	23,361,275
Depreciable Capital Assets, Net	36,499,203	98,751,320	135,250,523
Investment in Joint Venture	0	10,151,736	10,151,736
Total Assets	75,002,488	156,932,263	231,934,751
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	239,246	134,319	373,565
<u>Liabilities</u>			
Accrued Wages Payable	312,635	124,730	437,365
Accounts Payable	606,410	3,192,175	3,798,585
Contracts Payable	583,683	4,492	588,175
Due to Other Governments	750,211	222,178	972,389
Accrued Interest Payable	55,249	9,612	64,861
Notes Payable	955,000	157,601	1,112,601
Retainage Payable	184,252	0	184,252
Long-Term Liabilities			
Due Within One Year	6,929,947	1,748,568	8,678,515
Due in More Than One Year	25,535,204	10,404,804	35,940,008
Total Liabilities	35,912,591	15,864,160	51,776,751
<u>Deferred Inflows of Resources</u>			
Property Taxes	2,300,093	0	2,300,093
Recovered Purchased Power	0	2,273,471	2,273,471
Total Deferred Inflows of Resources	2,300,093	2,273,471	4,573,564
<u>Net Position</u>			
Net Investment in Capital Assets	39,374,799	104,506,456	143,881,255
Restricted for			
Debt Service	446,507	0	446,507
Capital Projects	5,904,816	0	5,904,816
Street Maintenance and Repair	1,274,473	0	1,274,473
Community Development	827,537	0	827,537
Security of Persons and Property - Police	552,144	0	552,144
Security of Persons and Property - Fire	843,622	0	843,622
Other Purposes	1,391,860	0	1,391,860
Unrestricted (Deficit)	(13,586,708)	34,422,495	20,835,787
Total Net Position	\$37,029,050	\$138,928,951	\$175,958,001

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$5,430,502	\$335,292	\$12,330	\$26,519
Fire/Ambulance	5,546,732	408,259	450	0
Public Health	79,346	44,645	0	0
Leisure Time Activities	2,147,769	778,463	90,866	0
Community Environment	910,349	9,763	353,006	0
Basic Utility Services	618,008	79,870	0	932,390
Transportation	5,532,616	677,946	1,491,962	4,937,835
General Government				
Court	1,608,917	1,530,235	229,289	0
Other	3,027,525	222,009	1,244	0
Internal Service Fund				
External Portion	42,958	34,016	0	0
Interest and Fiscal Charges	997,382	0	0	0
Total Governmental Activities	25,942,104	4,120,498	2,179,147	5,896,744
<u>Business-Type Activities</u>				
Electric	39,566,375	41,716,349	302,517	0
Water	4,667,751	4,275,369	0	0
Sewer	4,750,299	3,519,029	0	0
Total Business-Type Activities	48,984,425	49,510,747	302,517	0
Total	\$74,926,529	\$53,631,245	\$2,481,664	\$5,896,744

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Playground and Recreation
Municipal Income Taxes Levied for General Purposes
Municipal Income Taxes Levied for Playground and Recreation
Municipal Income Taxes Levied for Police and Fire
Municipal Income Taxes Levied for Sewer and Water Improvement
Municipal Income Taxes Levied for Capital Improvements
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (Note 4)

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activities	Total
(\$5,056,361)	\$0	(\$5,056,361)
(5,138,023)	0	(5,138,023)
(34,701)	0	(34,701)
(1,278,440)	0	(1,278,440)
(547,580)	0	(547,580)
394,252	0	394,252
1,575,127	0	1,575,127
150,607	0	150,607
(2,804,272)	0	(2,804,272)
0		
(8,942)	0	(8,942)
(997,382)	0	(997,382)
<u>(13,745,715)</u>	<u>0</u>	<u>(13,745,715)</u>
0	2,452,491	2,452,491
0	(392,382)	(392,382)
0	(1,231,270)	(1,231,270)
<u>0</u>	<u>828,839</u>	<u>828,839</u>
<u>(13,745,715)</u>	<u>828,839</u>	<u>(12,916,876)</u>
1,463,354	0	1,463,354
569,082	0	569,082
6,258,683	0	6,258,683
417,262	0	417,262
3,650,524	0	3,650,524
4,172,473	0	4,172,473
1,668,944	0	1,668,944
1,959,175	0	1,959,175
1,683,772	0	1,683,772
320,000	0	320,000
191,533	890	192,423
686,276	1,267,366	1,953,642
23,041,078	1,268,256	24,309,334
<u>(3,556,809)</u>	<u>3,556,809</u>	<u>0</u>
<u>19,484,269</u>	<u>4,825,065</u>	<u>24,309,334</u>
5,738,554	5,653,904	11,392,458
31,290,496	133,275,047	164,565,543
<u>\$37,029,050</u>	<u>\$138,928,951</u>	<u>\$175,958,001</u>

City of Bowling Green
Balance Sheet
Governmental Funds
December 31, 2012

	General	Playground and Recreation	Sewer and Water Improvement	Street Repair	Other Governmental
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,404,584	\$526,270	\$3,396,753	\$1,486,289	\$6,588,195
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	4,336
Accounts Receivable	688,547	0	0	0	655
Accrued Interest Receivable	52,285	0	0	0	0
Due from Other Governments	919,198	28,774	205,280	0	655,556
Municipal Income Taxes Receivable	1,077,266	71,817	718,178	107,725	897,720
Other Local Taxes Receivable	38,534	0	0	0	13,315
Interfund Receivable	525,084	0	0	0	0
Prepaid Items	79,273	0	0	0	0
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	45,867	0	0	0	0
Cash and Cash Equivalents with Escrow Agents	0	0	56,988	0	0
Property Taxes Receivable	1,533,663	600,969	0	0	245,587
Notes Receivable	0	0	0	0	596,681
Special Assessments Receivable	0	0	0	0	404,293
Total Assets	\$8,364,301	\$1,227,830	\$4,377,199	\$1,594,014	\$9,406,338
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$198,029	\$18,472	\$0	\$0	\$90,070
Accounts Payable	321,467	24,123	73,257	10,870	174,369
Contracts Payable	20,000	0	160,848	0	378,288
Due to Other Governments	461,199	40,954	0	0	238,210
Interfund Payable	4,860	59,639	183,833	0	2,385
Retainage Payable	0	0	28,575	0	98,689
Accrued Interest Payable	0	0	0	7,640	0
Notes Payable	0	0	0	955,000	0
Payable from Restricted Assets					
Retainage Payable	0	0	56,988	0	0
Total Liabilities	1,005,555	143,188	503,501	973,510	982,011
<u>Deferred Inflows of Resources</u>					
Property Taxes	1,475,972	578,534	0	0	245,587
Unavailable Revenue	1,725,413	84,523	333,148	49,971	1,233,615
Total Deferred Inflows of Resources	3,201,385	663,057	333,148	49,971	1,479,202
<u>Fund Balance</u>					
Nonspendable	125,140	0	0	0	0
Restricted	0	421,585	3,540,550	570,533	6,169,291
Committed	362,192	0	0	0	698,350
Assigned	183,924	0	0	0	77,484
Unassigned	3,486,105	0	0	0	0
Total Fund Balance	4,157,361	421,585	3,540,550	570,533	6,945,125
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$8,364,301	\$1,227,830	\$4,377,199	\$1,594,014	\$9,406,338

See Accompanying Notes to the Basic Financial Statements

Total
Governmental
Funds

\$15,402,091
4,336
689,202
52,285
1,808,808
2,872,706
51,849
525,084
79,273

45,867
56,988
2,380,219
596,681
404,293

\$24,969,682

\$306,571
604,086
559,136
740,363
250,717
127,264
7,640
955,000

56,988

3,607,765

2,300,093
3,426,670

5,726,763

125,140
10,701,959
1,060,542
261,408
3,486,105

15,635,154

\$24,969,682

City of Bowling Green
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2012

Total Governmental Fund Balance		\$15,635,154
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental Activities	50,227,060	
Internal Service Fund	(31,928)	
		50,195,132
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:</p>		
Accounts Receivable	204,608	
Accrued Interest Receivable	52,285	
Due from Other Governments	891,455	
Municipal Income Taxes Receivable	1,332,590	
Other Local Taxes Receivable	15,019	
Delinquent Property Taxes Receivable	80,126	
Special Assessments Receivable	850,587	
		3,426,670
<p>Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.</p>		
		239,246
<p>An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.</p>		
		6,893
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(47,609)	
Notes Payable	(4,895,000)	
General Obligation Bonds Payable	(6,875,000)	
OWDA Loans Payable	(19,079,510)	
Compensated Absences Payable	(1,544,659)	
Compensated Absences Payable - Internal Service Fund	56,594	
Capital Leases Payable	(70,982)	
		(32,456,166)
<p>An internal service fund is used by management to charge the cost of engineering services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.</p>		
		(17,879)
Net Position of Governmental Activities		\$37,029,050

See Accompanying Notes to the Basic Financial Statements

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City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2012

	General	Playground and Recreation	Sewer and Water Improvement	Street Repair	Other Governmental
<u>Revenues</u>					
Property Taxes	\$1,479,235	\$575,258	\$0	\$0	\$0
Municipal Income Taxes	6,249,905	416,645	4,166,590	624,989	4,686,352
Other Local Taxes	2,181,576	0	0	0	174,375
Special Assessments	0	0	0	0	47,110
Charges for Services	1,801,210	778,463	0	0	174,071
Fees, Licenses, and Permits	21,527	0	79,470	0	3,666
Fines and Forfeitures	683,536	0	0	0	342,670
Intergovernmental	2,008,123	78,387	932,390	5,058,750	1,788,026
Interest	203,263	0	0	0	38,513
Other	450,797	67,312	15,198	11,793	141,176
Total Revenues	15,079,172	1,916,065	5,193,648	5,695,532	7,395,959
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	4,043,274	0	0	0	1,240,478
Fire	2,733,769	0	0	0	2,428,330
Ambulance	138,726	0	0	0	0
Public Health	64,680	0	0	0	12,162
Leisure Time Activities	0	1,878,412	0	0	1,424,217
Community Environment	599,353	0	0	0	303,583
Basic Utility Services	616,948	0	0	0	0
Transportation	2,077,903	0	0	5,184,199	1,534,694
General Government					
Court	1,298,776	0	0	0	189,923
Other	2,639,246	14,594	145,878	21,880	180,049
Capital Outlay	0	0	3,393,037	0	1,426,021
Debt Service					
Principal Retirement	60,000	0	1,708,471	3,500,000	636,877
Interest and Fiscal Charges	10,608	0	568,771	42,640	353,617
Total Expenditures	14,283,283	1,893,006	5,816,157	8,748,719	9,729,951
Excess of Revenues Over (Under) Expenditures	795,889	23,059	(622,509)	(3,053,187)	(2,333,992)
<u>Other Financing Sources (Uses)</u>					
Bond Anticipation Notes Issued	0	0	0	1,795,000	3,100,000
General Obligation Bonds Issued	0	0	0	0	3,850,000
Payment to Refunded Bond Escrow Agent	0	0	0	0	(3,804,869)
OWDA Loans Issued	0	0	1,511,640	0	0
Transfers In	0	0	0	700,000	1,014,169
Transfers Out	(46,718)	0	(700,000)	(167,013)	(800,438)
Total Other Financing Sources (Uses)	(46,718)	0	811,640	2,327,987	3,358,862
Change in Fund Balance	749,171	23,059	189,131	(725,200)	1,024,870
Fund Balance Beginning of Year - Restated (Note 4)	3,408,190	398,526	3,351,419	1,295,733	5,920,255
Fund Balance End of Year	\$4,157,361	\$421,585	\$3,540,550	\$570,533	\$6,945,125

See Accompanying Notes to the Basic Financial Statements

Total
Governmental
Funds

\$2,054,493
16,144,481
2,355,951
47,110
2,753,744
104,663
1,026,206
9,865,676
241,776
686,276

35,280,376

5,283,752
5,162,099
138,726
76,842
3,302,629
902,936
616,948
8,796,796

1,488,699
3,001,647
4,819,058

5,905,348
975,636

40,471,116

(5,190,740)

4,895,000
3,850,000
(3,804,869)
1,511,640
1,714,169
(1,714,169)

6,451,771

1,261,031

14,374,123

\$15,635,154

City of Bowling Green
Reconciliation of Statement of Revenues, Expenditures,
and Change in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2012

Change in Fund Balance - Total Governmental Funds \$1,261,031

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

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

Capital Outlay	8,212,118	
Capital Outlay - Internal Service Fund	(17,024)	
Capital Contributions	26,519	
Depreciation	(2,939,189)	
Depreciation - Internal Service Fund	<u>4,203</u>	5,286,627

The cost of the capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (104,195)

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

Property Taxes	(22,057)	
Municipal Income Taxes	23,405	
Other Local Taxes	97,599	
Special Assessments	(42,596)	
Charges for Services	22,980	
Intergovernmental	(170,340)	
Interest	<u>(12,435)</u>	(103,444)

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

Notes Payable	3,500,000	
General Obligation Bonds Payable	670,000	
OWDA Loans Payable	1,708,471	
Capital Leases Payable	26,877	
Payment to Refunded Bond Escrow Agent	<u>3,804,869</u>	9,710,217

Debt proceeds are reported as other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position.

Bond Anticipation Notes Issued	(4,895,000)	
General Obligation Bonds Issued	(3,850,000)	
OWDA Loans Issued	<u>(1,511,640)</u>	(10,256,640)

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

Accrued Interest Payable	(89,255)	
Amortization of Premium	68,132	
Amortization of Deferred Charge on Refunding	<u>(623)</u>	(21,746)

(continued)

City of Bowling Green
 Reconciliation of Statement of Revenues, Expenditures,
 and Change in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2012
 (continued)

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

Compensated Absences Payable	\$41,959	
Compensated Absences Payable - Internal Service Fund	<u>6,118</u>	48,077

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

(72,431)

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

(8,942)

Change in Net Position of Governmental Activities

\$5,738,554

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,472,177	\$1,472,177	\$1,479,235	\$7,058
Municipal Income Taxes	5,856,991	5,856,991	6,028,957	171,966
Other Local Taxes	473,600	2,513,600	2,269,718	(243,882)
Charges for Services	3,747,904	1,707,904	1,797,963	90,059
Fees, Licenses, and Permits	18,250	18,250	21,527	3,277
Fines and Forfeitures	732,000	732,000	692,277	(39,723)
Intergovernmental	1,649,706	1,649,706	1,938,292	288,586
Interest	163,000	163,000	193,836	30,836
Other	83,000	90,976	109,109	18,133
Total Revenues	14,196,628	14,204,604	14,530,914	326,310
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	4,168,474	4,163,046	4,088,109	74,937
Fire	2,489,127	2,797,998	2,797,799	199
Ambulance	124,330	138,888	138,884	4
Public Health	69,865	67,432	64,782	2,650
Community Environment	707,676	660,688	601,196	59,492
Leisure Time Activities	61,180	61,180	0	61,180
Basic Utility Services	621,277	632,451	624,719	7,732
Transportation	2,361,916	2,266,089	2,107,782	158,307
General Government				
Court	1,398,878	1,358,103	1,279,583	78,520
Other	3,156,702	2,916,082	2,766,275	149,807
Debt Service				
Principal Retirement	60,000	60,000	60,000	0
Interest and Fiscal Charges	10,608	10,608	10,608	0
Total Expenditures	15,230,033	15,132,565	14,539,737	592,828
Excess of Revenues Under Expenditures	(1,033,405)	(927,961)	(8,823)	919,138
<u>Other Financing Sources (Uses)</u>				
Transfers In	57,950	57,950	57,950	0
Transfers Out	0	(46,718)	(46,718)	0
Total Other Financing Sources (Uses)	57,950	11,232	11,232	0
Change in Fund Balance	(975,455)	(916,729)	2,409	919,138
Fund Balance Beginning of Year	2,922,460	2,922,460	2,922,460	0
Prior Year Encumbrances Appropriated	275,911	275,911	275,911	0
Fund Balance End of Year	\$2,222,916	\$2,281,642	\$3,200,780	\$919,138

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Playground and Recreation Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$580,636	\$580,635	\$575,258	(\$5,377)
Municipal Income Taxes	390,446	390,466	401,930	11,464
Charges for Services	822,500	822,500	777,687	(44,813)
Intergovernmental	97,009	97,009	78,387	(18,622)
Other	133,362	133,362	67,312	(66,050)
Total Revenues	2,023,953	2,023,972	1,900,574	(123,398)
<u>Expenditures</u>				
Current:				
Leisure Time Activities	2,157,143	2,141,693	1,945,182	196,511
General Government				
Other	14,154	14,903	14,480	423
Total Expenditures	2,171,297	2,156,596	1,959,662	196,934
Excess of Revenues Under Expenditures	(147,344)	(132,624)	(59,088)	73,536
<u>Other Financing Uses</u>				
Transfers Out	0	(57,950)	(57,950)	0
Change in Fund Balance	(147,344)	(190,574)	(117,038)	73,536
Fund Balance Beginning of Year	505,425	505,425	505,425	0
Prior Year Encumbrances Appropriated	52,356	52,356	52,356	0
Fund Balance End of Year	\$410,437	\$367,207	\$440,743	\$73,536

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$20,013,586	\$4,932,275	\$2,741,999	\$27,687,860	\$48,100
Cash and Cash Equivalents with Fiscal Agents	1,917,902	0	0	1,917,902	0
Accounts Receivable	4,908,956	442,307	460,753	5,812,016	0
Due from Other Governments	1,850	24	1,767	3,641	0
Other Local Taxes Receivable	134,592	0	0	134,592	0
Interfund Receivable	19,304	11,606	0	30,910	1,470
Prepaid Items	26,426	26,425	26,422	79,273	0
Materials and Supplies Inventory	1,025,773	117,212	0	1,142,985	0
Total Current Assets	28,048,389	5,529,849	3,230,941	36,809,179	49,570
<u>Non-Current Assets</u>					
Recovered Purchased Power Receivable	1,900,250	0	0	1,900,250	0
Nondepreciable Capital Assets	3,034,437	3,125,992	3,472,989	9,633,418	0
Depreciable Capital Assets, Net	14,368,288	41,068,912	43,314,120	98,751,320	31,928
Investment in Joint Venture	10,151,736	0	0	10,151,736	0
Total Non-Current Assets	29,454,711	44,194,904	46,787,109	120,436,724	31,928
Total Assets	57,503,100	49,724,753	50,018,050	157,245,903	81,498
<u>Deferred Outflows of Resources</u>					
Deferred Charge on Refunding	0	29,707	104,612	134,319	0
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	53,158	34,672	36,900	124,730	6,064
Accounts Payable	2,999,738	121,613	70,824	3,192,175	2,324
Contracts Payable	4,345	0	147	4,492	24,547
Due to Other Governments	110,850	54,526	56,802	222,178	9,848
Interfund Payable	284,540	5,829	16,378	306,747	0
Accrued Interest Payable	1,166	1,858	6,588	9,612	0
Notes Payable	157,601	0	0	157,601	0
General Obligation Bonds Payable	70,000	60,000	220,000	350,000	0
Compensated Absences Payable	148,572	86,738	98,327	333,637	40,942
AMP Ohio Payable	1,064,931	0	0	1,064,931	0
Total Current Liabilities	4,894,901	365,236	505,966	5,766,103	83,725
<u>Non-Current Liabilities</u>					
General Obligation Bonds Payable	220,000	725,000	2,560,000	3,505,000	0
Compensated Absences Payable	320,821	166,024	209,218	696,063	15,652
AMP Ohio Payable	6,203,741	0	0	6,203,741	0
Total Non-Current Liabilities	6,744,562	891,024	2,769,218	10,404,804	15,652
Total Liabilities	11,639,463	1,256,260	3,275,184	16,170,907	99,377
<u>Deferred Inflows of Resources</u>					
Recovered Purchased Power	2,273,471	0	0	2,273,471	0
<u>Net Position</u>					
Net Investment in Capital Assets	16,955,124	43,439,611	44,111,721	104,506,456	31,928
Unrestricted (Deficit)	26,635,042	5,058,589	2,735,757	34,429,388	(49,807)
Total Net Position (Deficit)	\$43,590,166	\$48,498,200	\$46,847,478	138,935,844	(\$17,879)

Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the balance of the internal service fund.

(6,893)

Net position of business-type activities

\$138,928,951

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenses,
and Change in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Operating Revenues</u>					
Charges for Services	\$40,049,785	\$4,279,511	\$3,519,029	\$47,848,325	\$339,634
Other	577,348	90,252	359,474	1,027,074	527
Total Operating Revenues	40,627,133	4,369,763	3,878,503	48,875,399	340,161
<u>Operating Expenses</u>					
Purchased Power	30,992,824	0	0	30,992,824	0
Plant Operation	0	1,970,994	1,726,443	3,697,437	0
Distribution Operation	3,580,586	967,586	790,774	5,338,946	0
Administrative and General	1,280,420	548,868	628,339	2,457,627	0
Information and Technology	162,097	53,504	53,510	269,111	0
Depreciation	1,211,400	1,087,513	1,412,277	3,711,190	4,203
Other	0	0	0	0	425,379
Total Operating Expenses	37,227,327	4,628,465	4,611,343	46,467,135	429,582
Operating Income (Loss)	3,399,806	(258,702)	(732,840)	2,408,264	(89,421)
<u>Non-Operating Revenues (Expenses)</u>					
Excise Taxes	1,685,868	0	0	1,685,868	0
Excise Taxes Expense	(1,685,868)	0	0	(1,685,868)	0
Interest Revenue	0	350	540	890	0
Interest Expense	(60,546)	(42,298)	(151,149)	(253,993)	0
Grants	302,517	0	0	302,517	0
Gain on Disposal of Capital Assets	0	31,555	208,737	240,292	0
Investment in Joint Venture	(592,827)	0	0	(592,827)	0
Total Non-Operating Revenues (Expenses)	(350,856)	(10,393)	58,128	(303,121)	0
Income (Loss) before Contributions	3,048,950	(269,095)	(674,712)	2,105,143	(89,421)
Capital Contributions	4,038	1,760,093	1,792,678	3,556,809	0
Change in Net Position	3,052,988	1,490,998	1,117,966	5,661,952	(89,421)
Net Position Beginning of Year - Restated (Note 4)	40,537,178	47,007,202	45,729,512		71,542
Net Position End of Year	\$43,590,166	\$48,498,200	\$46,847,478		(\$17,879)

The change in net position reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund. (8,048)

Change in net position of business-type activities \$5,653,904

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$42,238,710	\$4,253,420	\$3,517,686	\$50,009,816	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	366,557
Cash Payments for Purchased Power	(31,948,370)	0	0	(31,948,370)	0
Cash Payments for Plant Operation	0	(1,931,207)	(1,678,892)	(3,610,099)	0
Cash Payments for Distribution Operation	(3,164,971)	(927,605)	(760,658)	(4,853,234)	0
Cash Payments for Administrative and General	(1,228,370)	(533,168)	(542,044)	(2,303,582)	0
Cash Payments for Information and Technology	(160,401)	(53,172)	(53,172)	(266,745)	0
Cash Received from Other Revenues	558,828	90,252	359,474	1,008,554	527
Cash Payments for Other Expenses	0	0	0	0	(392,702)
Net Cash Provided by (Used for) Operating Activities	<u>6,295,426</u>	<u>898,520</u>	<u>842,394</u>	<u>8,036,340</u>	<u>(25,618)</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Cash Received from Excise Taxes	1,685,868	0	0	1,685,868	0
Cash Payments for Excise Tax Distribution	(1,685,868)	0	0	(1,685,868)	0
Grants	302,517	0	0	302,517	0
Net Cash Provided by Noncapital Financing Activities	<u>302,517</u>	<u>0</u>	<u>0</u>	<u>302,517</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(985,000)	0	0	(985,000)	0
Principal Paid on General Obligation Bonds	(65,000)	(55,000)	(190,000)	(310,000)	0
Interest Paid on Bond Anticipation Notes	(46,421)	0	0	(46,421)	0
Interest Paid on General Obligation Bonds	(14,038)	(40,169)	(143,605)	(197,812)	0
Payment to Refunded Bond Escrow Agent	0	(479,707)	(1,689,612)	(2,169,319)	0
Bond Anticipation Notes Issued	157,601	0	0	157,601	0
Refunding General Obligation Bonds Issued	0	485,000	1,710,000	2,195,000	0
Acquisition of Capital Assets	(441,996)	(83,318)	(588,996)	(1,114,310)	(17,024)
Sale of Capital Assets	0	31,555	243,135	274,690	0
Net Cash Used for Capital and Related Financing Activities	<u>(1,394,854)</u>	<u>(141,639)</u>	<u>(659,078)</u>	<u>(2,195,571)</u>	<u>(17,024)</u>
<u>Cash Flows from Investing Activities</u>					
Interest	0	350	540	890	0
Net Increase (Decrease) in Cash and Cash Equivalents	5,203,089	757,231	183,856	6,144,176	(42,642)
Cash and Cash Equivalents Beginning of Year	16,728,399	4,175,044	2,558,143	23,461,586	90,742
Cash and Cash Equivalents End of Year	<u>\$21,931,488</u>	<u>\$4,932,275</u>	<u>\$2,741,999</u>	<u>\$29,605,762</u>	<u>\$48,100</u>

(continued)

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012
(continued)

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	\$3,399,806	(\$258,702)	(\$732,840)	\$2,408,264	(\$89,421)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Depreciation	1,211,400	1,087,513	1,412,277	3,711,190	4,203
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(92,313)	(22,311)	(32,143)	(146,767)	777
Decrease in Due from Other Governments	3,350	72	546	3,968	0
Increase in Other Local Taxes Receivable	(7,446)	0	0	(7,446)	0
(Increase) Decrease in Interfund Receivable	(100)	(3,860)	30,251	26,291	26,146
Increase in Prepaid Items	(3,667)	(3,667)	(3,664)	(10,998)	0
(Increase) Decrease in Materials and Supplies Inventory	(3,501)	24,124	102,576	123,199	0
Increase in Recovered Purchased Power Receivable	(95,500)	0	0	(95,500)	0
Increase in Accrued Wages Payable	8,262	8,465	8,104	24,831	903
Increase (Decrease) in Accounts Payable	587,025	45,281	(5,713)	626,593	1,162
Increase (Decrease) in Contracts Payable	(28,369)	(366)	147	(28,588)	24,547
Increase in Recovered Purchased Power Payable	2,273,471	0	0	2,273,471	0
Increase in Due to Other Governments	10,463	3,676	3,688	17,827	200
Increase (Decrease) in Interfund Payable	161,372	(283)	(2,371)	158,718	(253)
Increase (Decrease) in Compensated Absences Payable	(28,920)	18,578	61,536	51,194	6,118
Decrease in AMP-Ohio Payable	(1,099,907)	0	0	(1,099,907)	0
Net Cash Provided by (Used for) Operating Activities	\$6,295,426	\$898,520	\$842,394	\$8,036,340	(\$25,618)

Non-Cash Capital Financing Activities:

The Electric, Water, and Sewer enterprise funds received capital assets that were constructed in the City's governmental funds, in the amounts of \$4,038, \$1,760,093 and \$1,792,678, respectively.

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2012

<u>Assets</u>	
Cash and Cash Equivalents in Segregated Accounts	\$303,113
Special Assessments Receivable	<u>222,898</u>
Total Assets	<u><u>\$526,011</u></u>
 <u>Liabilities</u>	
Undistributed Assets	<u><u>\$526,011</u></u>

See Accompanying Notes to the Basic Financial Statements

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

A. The City

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

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

B. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Bowling Green in 2012.

The City participates in two insurance pools, three joint ventures, and a jointly governed organization. These organizations are the Buckeye Ohio Risk Management Agency (BORMA), the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5), the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6), and the Bowling Green Central Business Special Improvement District, Inc. (SID). These organizations are presented in Notes 24, 25, and 26 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bowling Green have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the City's accounting policies.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

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

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

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

Street Repair Fund - The Street Repair Fund accounts for municipal income taxes restricted for major street repair of primary and secondary streets within the City.

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

Proprietary Funds

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

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

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

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2012. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for special assessments levied and paid to the Bowling Green Central Business Special Improvement District, Inc., monies collected from a fundraising project for the Bowling Green Central Business Special Improvement District, Inc., and fines and fees collected by the Bowling Green Municipal Court (excluding those due to the City of Bowling Green).

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the City, deferred outflows of resources consists of a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized of the life of the old debt or the life of the new debt, whichever is shorter.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, recovered purchased power, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. Recovered purchased power represents recovered costs of a regulated business-type activity applicable to a future period. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental and proprietary fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenues including grants, municipal income taxes, other local taxes, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Investments

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

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

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

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

During 2012, the City invested in nonnegotiable certificates of deposit, commercial paper, Ohio local government securities, and federal agency securities. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2012 was \$203,263, which includes \$183,780 assigned from other City funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

J. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	25 years	N/A
Buildings	25-50 years	25-50 years
Equipment	1-20 years	1-20 years
Vehicles	3-10 years	3-10 years
Streets	15-40 years	N/A
Electric, Water, Sewer, and Storm Sewer Lines	N/A	15-50 years

K. Deferred Charge on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Interfund Assets/Liabilities

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

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Net Position

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for maintenance of state highways, various police department related activities, and cemetery maintenance. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Fund Balance

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

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

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

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by City Council. City Council has authorized the municipal administrator and the utilities director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

Q. Operating Revenues and Expenses

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

R. Capital Contributions

Capital contributions arise from contributions from other funds and outside contributions of capital assets.

S. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For 2012, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the City's financial statements.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - RESTATEMENT OF FUND BALANCE/NET POSITION

In the prior year, the City did not allocate all municipal income taxes in accordance with City ordinance. The restatement had the following effect on fund balance of the major and nonmajor funds of the City as they were previously reported.

	General	Playground and Recreation	Sewer and Water Improvement	Street Repair	Other Governmental	Total Governmental Funds
Fund Balance December 31, 2011	\$3,566,454	\$409,034	\$3,456,886	\$1,311,559	\$5,630,190	\$14,374,123
Change in Allocation of Income Taxes	(158,264)	(10,508)	(105,467)	(15,826)	290,065	0
Adjusted Fund Balance December 31, 2011	<u>\$3,408,190</u>	<u>\$398,526</u>	<u>\$3,351,419</u>	<u>\$1,295,733</u>	<u>\$5,920,255</u>	<u>\$14,374,123</u>

In 2011, the City did not report the correct liability to AMP-Ohio for the AMPGS stranded cost. The restatement due to this adjustment had the following effect on net position.

	Electric	Water	Sewer	Total Enterprise Funds
Net Position December 31, 2011	\$42,216,178	\$47,007,202	\$45,729,512	\$134,952,892
AMP Ohio Payable	(1,679,000)	0	0	(1,679,000)
Restated Net Position December 31, 2011	<u>\$40,537,178</u>	<u>\$47,007,202</u>	<u>\$45,729,512</u>	133,273,892
Internal Service Fund				1,155
Restated Net Position December 31, 2011 - Business-Type Activities				<u>\$133,275,047</u>

	Business-Type Activities
Net Position December 31, 2011	\$134,954,047
AMP Ohio Payable	(1,679,000)
Restated Net Position December 31, 2011	<u>\$133,275,047</u>

NOTE 5 - ACCOUNTABILITY

The deficit net position in the Internal Service fund, in the amount of \$17,879, is the result of increased expenditures for contracts for engineering fees for ongoing projects.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 6 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Change in Fund Balance

	General	Playground and Recreation
GAAP Basis	\$749,171	\$23,059
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2011, Received in Cash 2012	1,045,223	23,788
Accrued 2012, Not Yet Received in Cash	(1,575,242)	(38,503)
Expenditure Accruals:		
Accrued 2011, Paid in Cash 2012	(1,063,662)	(71,430)
Accrued 2012, Not Yet Paid in Cash	1,005,555	85,238
Cash Adjustments:		
Unrecorded Activity 2011	44,082	4,287
Unrecorded Activity 2012	(62,321)	(5,063)
Prepaid Items	(10,997)	0
Transfers In	57,950	0
Transfers Out	0	(57,950)
Encumbrances Outstanding at Year End (Budget Basis)	(187,350)	(80,464)
Budget Basis	\$2,409	(\$117,038)

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 7 - DEPOSITS AND INVESTMENTS (continued)

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,901,146 of the City's bank balance of \$31,655,026 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

At December 31, 2012, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
UBS Financial Commercial Paper	\$998,560	5/10/13
UBS Financial Commercial Paper	998,160	6/4/13
UBS Financial Commercial Paper	3,491,005	7/9/13
UBS Financial Commercial Paper	1,495,530	7/30/13
Ohio Local Government Bonds	754,373	10/30/13
Ohio Local Government Bonds	194,852	12/1/14
Ohio Local Government Bonds	344,010	12/1/15
Federal Farm Credit Bank Notes	1,000,180	11/13/15
Federal Farm Credit Bank Notes	3,012,000	11/13/17
	<u>\$12,288,670</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Finance Director from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within three years from the date of investment unless they are matched to a specific obligation or debt of the City.

The commercial paper carries a rating of A1 by Standard and Poor's and/or P-2 by Moody's. The Ohio local government bonds carry a rating of AA1 and MIG1 by Moody's. The Federal Farm Credit Bank notes carry a rating of AAA by Moody's. The City has no investment policy dealing with credit risk beyond the requirements of State statute.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 7 - DEPOSITS AND INVESTMENTS (continued)

The following table indicates the percentage of each investment to the City's total portfolio.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Commercial Paper	\$6,983,255	56.83%
Ohio Local Government Bonds	1,293,235	10.52
Federal Farm Credit Bank Notes	4,012,180	32.65

NOTE 8 - RECEIVABLES

Receivables at December 31, 2012, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; notes; special assessments, and recovered purchased power. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$387,825, will not be received within one year. Special assessments receivable, in the amount of \$504,417, will not be received within one year. At December 31, 2012, the amount of delinquent special assessments was \$25,109.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$73,990
DARE Grant	10,314
Charges for Services	83,161
Fines and Forfeitures	28,259
Local Government	318,739
Estate Tax	404,735
Total General Fund	<u>919,198</u>
Playground and Recreation	
Homestead and Rollback	<u>28,774</u>
Sewer and Water Improvement	
Ohio Department of Development	146,100
Ohio Public Works Commission	2,116
Ohio Water Development Authority	57,064
Total Sewer and Water Improvement	<u>205,280</u>
Total Major Funds	<u>1,153,252</u>

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 8 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds	
Street Maintenance and Repair	
Ohio Department of Development	\$153,900
Gasoline Tax	307,583
Auto Registration	21,817
Motor Vehicle License Tax	83,704
Total Street Maintenance and Repair	567,004
State Highway	
Gasoline Tax	24,939
Auto Registration	6,787
Total State Highway	31,726
ODOT Transportation	
Rural Transit	21,176
Law Enforcement Drug	
Fines and Forfeitures	2,789
Indigent Drivers Alcohol	
Fines and Forfeitures	2,187
Enforcement and Education	
Fines and Forfeitures	295
Interlock and Alcohol Monitoring	
Fines and Forfeitures	1,876
Municipal Court Special Projects	
Fines and Forfeitures	10,166
Municipal Probation Services	
Charges for Services	6,005
Aquatic Facility Capital Improvement	
Homestead and Rollback	12,332
Total Nonmajor Funds	655,556
Total Governmental Activities	\$1,808,808

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 8 - RECEIVABLES (continued)

Business Type Activities	
Major Funds	
Electric	
Charges for Services	\$1,850
Water	
Charges for Services	24
Sewer	
Charges for Services	1,767
Total Business Type Activities	\$3,641

NOTE 9 - NOTES RECEIVABLE

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant and Home Investment Partnership Program. The notes have an annual interest rate of 2.145 to 5.5 percent and are to be repaid over periods ranging from one and one-half to twenty years. A summary of the changes in notes receivable during 2012 follows:

	Balance December 31, 2011	New Loans	Repayments	Balance December 31, 2012	Due Within One Year
Special Revenue Fund					
CDBG					
Revolving Loan Program	\$419,232	\$324,010	\$201,279	\$541,963	\$175,610
Home Program	65,723	0	11,005	54,718	33,246
Total Notes Receivable	\$484,955	\$324,010	\$212,284	\$596,681	\$208,856

NOTE 10 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 2 percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 50 percent of the tax paid to another municipality, not to exceed 50 percent of the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

The City, by ordinance, allocates 1.5 percent of income taxes as follows: to the General Fund (.75); Playground and Recreation (.05) special revenue fund; and the Capital Improvement (.13), Sewer and Water Capital Improvement (.50), and Street Repair Capital Improvement (.07) capital projects funds. The remaining .5 percent is split between the Police Levy (.14) and Fire Levy (.36) special revenue funds.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 11 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In the government funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

The full tax rate for all City operations for the year ended December 31, 2012, was \$5.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$272,855,080
Commercial/Industrial	179,631,250
Public Utility Real	20,190
Public Utility Personal	1,615,000
Total	<u>\$454,121,520</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 12 - CAPITAL ASSETS

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,293,179	\$485,000	\$0	\$3,778,179
Construction in Progress	3,329,090	6,620,588	0	9,949,678
Total Nondepreciable Capital Assets	<u>6,622,269</u>	<u>7,105,588</u>	<u>0</u>	<u>13,727,857</u>
Depreciable Capital Assets				
Land Improvements	2,548,719	0	(346,383)	2,202,336
Buildings	18,958,520	20,995	(37,450)	18,942,065
Equipment	2,502,789	335,278	(351,078)	2,486,989
Vehicles	8,292,889	395,606	(662,225)	8,026,270
Streets	54,023,839	381,170	0	54,405,009
Total Depreciable Capital Assets	<u>86,326,756</u>	<u>1,133,049</u>	<u>(1,397,136)</u>	<u>86,062,669</u>
Less Accumulated Depreciation for				
Land Improvements	(1,346,640)	(86,449)	268,883	(1,164,206)
Buildings	(7,410,445)	(401,118)	37,450	(7,774,113)
Equipment	(1,962,754)	(172,714)	345,078	(1,790,390)
Vehicles	(5,706,919)	(550,519)	641,530	(5,615,908)
Streets	(31,490,460)	(1,728,389)	0	(33,218,849)
Total Accumulated Depreciation	<u>(47,917,218)</u>	<u>(2,939,189)</u>	<u>1,292,941</u>	<u>(49,563,466)</u>
Total Depreciable Capital Assets, Net	<u>38,409,538</u>	<u>(1,806,140)</u>	<u>(104,195)</u>	<u>36,499,203</u>
Governmental Activities Capital Assets, Net	<u>\$45,031,807</u>	<u>\$5,299,448</u>	<u>(\$104,195)</u>	<u>\$50,227,060</u>

During 2012, governmental activities accepted a contribution of capital assets from outside sources with a fair value of \$26,519.

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$3,427,587	\$242,500	\$0	\$3,670,087
Construction in Progress	19,427,892	3,575,607	(17,040,168)	5,963,331
Total Nondepreciable Capital Assets	<u>22,855,479</u>	<u>3,818,107</u>	<u>(17,040,168)</u>	<u>9,633,418</u>

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 12 - CAPITAL ASSETS (continued)

	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
Business-Type Activities (continued):				
Depreciable Capital Assets				
Buildings	\$63,278,761	\$14,367,889	\$0	\$77,646,650
Equipment	2,271,087	73,322	0	2,344,409
Vehicles	5,228,415	605,982	(565,703)	5,268,694
Electric, Water, Sewer, and Storm Sewer Lines	95,686,520	2,845,987	0	98,532,507
Total Depreciable Capital Assets	<u>166,464,783</u>	<u>17,893,180</u>	<u>(565,703)</u>	<u>183,792,260</u>
Less Accumulated Depreciation for				
Buildings	(32,342,007)	(1,389,706)	0	(33,731,713)
Equipment	(2,189,722)	(36,072)	0	(2,225,794)
Vehicles	(4,704,332)	(287,140)	531,305	(4,460,167)
Electric, Water, Sewer, and Storm Sewer Lines	(42,624,994)	(1,998,272)	0	(44,623,266)
Total Accumulated Depreciation	<u>(81,861,055)</u>	<u>(3,711,190)</u>	<u>531,305</u>	<u>(85,040,940)</u>
Total Depreciable Capital Assets, Net	<u>84,603,728</u>	<u>14,181,990</u>	<u>(34,398)</u>	<u>98,751,320</u>
Business-Type Activities Capital Assets, Net	<u>\$107,459,207</u>	<u>\$18,000,097</u>	<u>(\$17,074,566)</u>	<u>\$108,384,738</u>

The Electric, Water, and Sewer enterprise funds accepted contributions of capital assets from governmental activities with a fair value of \$4,038, \$1,760,093, and \$1,792,978, respectively.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	\$164,663
Security of Persons and Property-Fire	224,796
Security of Persons and Property-Ambulance	29,889
Public Health	1,625
Leisure Time Activities	188,507
Community Environment	8,254
Transportation	2,058,326
General Government-Court	169,835
General Government-Other	93,294
Total Depreciation Expense - Governmental Activities	<u>\$2,939,189</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 13 - INTERFUND BALANCES

Interfund balances at December 31, 2012, consisted of the following individual fund receivables and payables:

Due to General Fund from:

Playground and Recreation	\$57,950
Sewer and Water Improvement	183,833
Electric	283,301
Total General Fund	<u>\$525,084</u>

Due to Electric Fund from:

Water	\$5,829
Sewer	13,475
Total Electric Fund	<u>\$19,304</u>

Due to Water Fund from:

General	\$4,860
Playground and Recreation	219
Other Governmental	2,385
Electric	1,239
Sewer	2,903
Total Water Fund	<u>\$11,606</u>

Due to Internal Service Fund from:

Playground and Recreation	<u>\$1,470</u>
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The balances due to the General, Electric, Water, and Internal Service funds resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts are expected to be received within one year.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the City contracted with the Buckeye Ohio Risk Management Agency (BORMA) for property, liability, and crime insurance. The BORMA program is subject to a \$25,000 deductible for any property or liability loss. Coverage provided by BORMA is as follows:

Property	
Building and Contents	\$250,000,000
Flood Annual Aggregate	21,000,000
Earthquake Annual Aggregate	21,000,000
Boiler and Machinery	100,000,000
General Liability	
Per Occurrence	2,000,000
Employee Benefit Liability	2,000,000
Ohio Stop Gap Liability	2,000,000
Public Official Liability	2,000,000
Law Enforcement Professional Liability	2,000,000
Automobile Liability	2,000,000
Crime	
Employee Dishonesty and Faithful Performance	500,000
Depositor's Forgery	500,000
Money and Securities	500,000
Excess Liability	
Per Occurrence	8,000,000
Annual Aggregate	8,000,000

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 14 - RISK MANAGEMENT (continued)

For 2012, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan. To maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

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

NOTE 15 - CONTRACTUAL COMMITMENTS

At December 31, 2012, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Astro Pool	Pool Construction	\$617,772
Chemco System	Install Replacement Slaker	105,211
Dell Marketing	Server Hardware and Software for New World	30,000
E. T. Electric	North Main Street 12.47 KV Circuit	100,000
Engineering	East Wooster Street "Lost Blocks"	341,688
Hank's	Poe/Mercer Road Pumps	291,863
Harp	Pool Construction	1,413,499
Jennite	2012 City Parking Lot Resurfacing	200,000
Municipal Energy Service Agency	MESA Engineered Service for Vehtek Substation	1,642,551
Poggemeyer	Engineering Services	44,466
Rabores, Inc.	North Prospect Street and Donbar Drive	157,392
W. W. Williams	MTU Onsite Energy Diesel	141,030

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. For 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 for 2012. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2012, 2011, and 2010 was \$1,041,020, \$1,036,895, and \$946,446, respectively. For 2012, 89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$23,295 made by the City and \$16,640 made by the plan members.

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2012, the portion of the City's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$367,942 and \$591,881 for the year ended December 31, 2012, \$380,544 and \$613,607 for the year ended December 31, 2011, and \$383,416 and \$598,926, for the year ended December 31, 2010. For 2012, 74 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

NOTE 17 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

NOTE 17 - POSTEMPLOYMENT BENEFITS (continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 for 2012. Effective January 1, 2013, the portion of the employer contribution allocated to health care was lowered to 1 percent for both plans as recommended by the OPERS actuary.

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

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2012, 2011, and 2010 was \$425,726, \$424,067, and \$551,514, respectively. For 2012, 89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

B. Police and Fire Pension Fund

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 17 - POSTEMPLOYMENT BENEFITS (continued)

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$194,793 and \$231,606 for the year ended December 31, 2012, \$201,464 and \$240,107 for the year ended December 31, 2011, and \$202,985 and \$234,362 for the year ended December 31, 2010. For 2012, 74 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn vacation at varying rates depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with supervisory approval. Employees are paid for 100 percent of earned unused vacation leave upon termination. Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit. Each employee, at the time of retirement from active service with the City, is paid for 25 percent of their earned unused sick leave, with no maximum payment limit, except for those employees under the Bowling Green Police Command Officers' Association and certain employees under the International Association of Firefighters. The employees under the Police Command Officers' Association will be paid for 25 percent of their earned unused sick leave up to 1,500 hours and 50 percent of earned unused sick leave in excess of 1,500 hours and employees under the International Association of Firefighters hired on or after May 1, 2011 will be paid for 25 percent of their unused sick leave up to a maximum of 240 hours.

NOTE 19 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2012, were as follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
<u>Governmental Activities</u>					
2012 Street Improvement Notes	1.00%	\$0	\$955,000	\$0	\$955,000
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Electric					
2011 Electric System Improvements	1.25%	\$985,000	\$0	\$985,000	\$0
2012 Electric System Improvements	1.125	0	157,601	0	157,601
Total Business-Type Activities		\$985,000	\$157,601	\$985,000	\$157,601

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

On March 14, 2012, the City issued \$955,000 in bond anticipation notes to partially retire notes previously issued for street improvements. The notes had an interest rate of 1 percent and matured on March 14, 2013.

During 2011, the City issued electric system improvement bond anticipation notes, in the amount of \$985,000, to partially retire notes previously issued to pay the costs of improving the City's electric system by constructing a new substation. The notes were issued on November 22, 2011, and matured on November 20, 2012.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 19 - NOTES PAYABLE (continued)

During 2012, the City issued electric system improvement bond anticipation notes, in the amount of \$157,601, to partially retire notes previously issued to pay the costs of improving the City's electric system by constructing a new substation. The notes were issued on November 20, 2012, and mature on November 20, 2013.

NOTE 20 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2012, was as follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Governmental Activities</u>						
Bond Anticipation Notes						
2011 Street Improvement Notes	1.00%	\$3,500,000	\$0	\$3,500,000	\$0	\$0
2012 Street Improvement Notes	1.00	0	1,795,000	0	1,795,000	1,795,000
2012 Recreational Facilities Improvement Notes	.75	0	3,100,000	0	3,100,000	3,100,000
Total Bond Anticipation Notes		3,500,000	4,895,000	3,500,000	4,895,000	4,895,000
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$11,745,000)	3 - 5	7,020,000	0	4,165,000	2,855,000	605,000
Premium		68,132	0	68,132	0	0
2006 Park and Recreation (Original Issue - \$480,000)	4.42	240,000	0	60,000	180,000	60,000
2012 Refunding Various Purpose Improvement (Original Issue - \$3,850,000)	.75 - 3	0	3,850,000	10,000	3,840,000	40,000
Total General Obligation Bonds		7,328,132	3,850,000	4,303,132	6,875,000	705,000
Ohio Water Development Authority Loans						
1994 Second Water Transmission Main (Original Issue - \$3,644,348)	5.77	2,041,030	0	207,934	1,833,096	109,966
1999 Granular Activated Carbon System (Original Issue - \$2,880,752)	5.50	932,248	0	294,050	638,198	153,117
2002 Clearwell and High Service Pump (Original Issue - \$3,217,619)	3.95	1,994,034	0	274,765	1,719,269	141,466
2004 Wastewater Treatment Plant and Solids Handling Improvements	1.76	3,530,551	0	392,668	3,137,883	0
2008 Intake and Pump Station (Original Issue - \$4,107,626)	3.52	3,813,514	0	154,935	3,658,579	79,518
2009 WWTP Tertiary Filtration	4.14	2,301,014	0	68,514	2,232,500	0

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Governmental Activities (continued)						
Ohio Water Development Authority Loans (continued)						
2009 Microfiltration/Low Pressure Reverse Osmosis	0.00	\$3,795,244	\$283,625	\$240,676	\$3,838,193	\$0
2010 WWTP Ultraviolet Disinfection Project	0.00	868,706	0	50,910	817,796	0
2012 Poe and Mercer Roads Pump Station Upgrades	3.08	0	1,228,015	24,019	1,203,996	0
Total Ohio Water Development Authority Loans		19,276,341	1,511,640	1,708,471	19,079,510	484,067
Other Long-Term Obligations						
Compensated Absences Payable		1,586,618	57,052	99,011	1,544,659	817,660
Capital Leases Payable		97,859	0	26,877	70,982	28,220
Total Other Long-Term Obligations		1,684,477	57,052	125,888	1,615,641	845,880
Total Governmental Activities		\$31,788,950	\$10,313,692	\$9,637,491	\$32,465,151	\$6,929,947
	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Business-Type Activities						
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$6,215,000)	3 - 5%	\$4,005,000	\$0	\$2,345,000	\$1,660,000	\$325,000
Premium		38,870	0	38,870	0	0
2012 Refunding Various Purpose Improvement (Original Issue - \$2,195,000)	.75 - 3	0	2,195,000	0	2,195,000	25,000
Total General Obligation Bonds		4,043,870	2,195,000	2,383,870	3,855,000	350,000
Other Long-Term Obligations						
Compensated Absences Payable		978,506	140,908	89,714	1,029,700	333,637
AMP Ohio Payable - JV 2		4,317,921	0	658,322	3,659,599	497,826
AMP Ohio Payable - JV 6		2,294,998	0	586,175	1,708,823	567,105
AMP Ohio Payable		1,755,660	144,590	0	1,900,250	0
Total Other Long-Term Obligations		9,347,085	285,498	1,334,211	8,298,372	1,398,568
Total Business-Type Activities		\$13,390,955	\$2,480,498	\$3,718,081	\$12,153,372	\$1,748,568

2011 Street Improvement Bond Anticipation Notes - On March 16, 2011, the City issued \$3,500,000 in bond anticipation notes for street improvements. The notes had an interest rate of 1 percent and matured on March 16, 2012.

2012 Street Improvement Bond Anticipation Notes - On March 14, 2012, the City issued \$1,795,000 in bond anticipation notes to partially retire notes previously issued for street improvements. The notes had an interest rate of 1 percent and matured on March 14, 2013.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

2012 Recreational Facilities Improvement Bond Anticipation Notes - On May 2, 2012, the City issued \$3,100,000 in bond anticipation notes for improvements to the municipal swimming pool and related recreational facilities. The notes had an interest rate of .75 percent and mature on March 14, 2013. As of December 31, 2012, proceeds, in the amount of \$1,704,475, were not spent.

2004 Various Purpose Improvement General Obligation Bonds - On May 6, 2004, the City issued \$17,960,000 in unvoted general obligation bonds to retire notes originally issued to finance the following: a new Municipal Court (\$3,510,000), the West Side Fire Station (\$610,000), portions of the Central Business District (\$2,270,000), the Community Center (\$3,950,000), the East Wooster Street Improvements (\$1,405,000), the Electric System (\$835,000), the Water System Improvement (\$1,150,000), the Wastewater Treatment Plant (\$1,385,000), and the Sanitary Sewerage System (\$2,845,000). The bonds were issued for a twenty-four year period with maturity beginning December 1, 2004. The interest rate of the bonds ranges from 3 to 5 percent over the life of the bonds. The bonds will be paid from the Debt Service Fund, and the Electric, Water, and Sewer enterprise funds. During 2012, a portion of these bonds was refunded.

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

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

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

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

2012 Refunding Various Purpose Improvement Bonds - On June 20, 2012, the City issued \$6,045,000 in unvoted general obligation bonds to refund bonds previously issued in 2004 for the following: a new Municipal Court (\$1,420,000), the Community Center (\$2,430,000), the Water System Improvement (\$485,000), the Wastewater Treatment Plant (\$555,000), and the Sanitary Sewerage System (\$1,155,000). The bonds were issued for a twenty-six year period with maturity beginning December 1, 2012. The interest rate of the bonds ranges from .75 to 3 percent over the remaining life of the bonds. The bonds will be paid from the Debt Service Fund, and the Water and Sewer enterprise funds.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on or after December 1, 2014, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2012	\$10,000
2013	\$65,000
2014	\$65,000

The bonds maturing on or after December 1, 2017, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2015	\$45,000
2016	\$50,000
2017	\$50,000

The bonds maturing on or after December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2025	\$220,000
2026	\$225,000

The bonds maturing on or after December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2027	\$230,000
2028	\$235,000

The bonds maturing on or after December 1, 2019, are subject to optional redemption by and at the sole option of the City, either in whole or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The net proceeds of the refunding bond issue, in the amount of \$5,974,188, were used to purchase U. S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 2004 various purpose improvement general obligation bonds. As a result, \$5,600,000 of the 2004 various purpose improvement general obligation bonds are considered to be defeased and the liability for the bonds has been removed from the City's financial statements. At December 31, 2012, \$5,600,000 of the debt was still outstanding.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

Although the refunding will result in the recognition of an accounting loss of \$374,188, the City in effect decreased its aggregate debt service payments by \$890,035 over the next seventeen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$770,985.

OWDA Loans Payable - The OWDA loans represent amounts borrowed from the Ohio Water Development Authority for construction of water and sewer system improvements. The intention is to repay the loans with income tax revenues of the Sewer and Water Capital Improvement capital projects fund. Annual principal and interest payments on the loans are expected to require less than 100 percent of these revenues. The total principal and interest remaining to be paid on the loans (on completed projects for which amortization schedules are available) is \$9,785,134. Principal and interest paid in the Sewer and Water Capital Improvement capital projects fund for the current year were \$1,708,471 and \$568,771, respectively. Total revenue for the Sewer and Water Capital Improvement capital projects fund was \$5,193,648.

Compensated Absences - The compensated absences liability will be paid from the General Fund, the Playground and Recreation, Street Maintenance and Repair, ODOT Transportation, Community Development Block Grant, Police Levy, Fire Levy, Civil Infraction, Law Enforcement Mandatory Drug, and Municipal Probation Services special revenue funds, the Electric, Water, and Sewer enterprise funds, and the Engineering internal service fund.

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

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

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

The AMP-Ohio loans for JV2 and JV6 will be paid solely from the net revenues of the electric system, subject only to the prior payment of operation and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues. The City is required to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 and JV6 debt service and any other outstanding electric system revenue obligations. The remaining principal and interest to be paid on the loans is \$4,749,114 payable through 2020 for JV2 and \$1,732,500 payable through 2016 for JV6. Principal and interest paid for the current year were \$730,292 for JV2 and \$579,084 for JV6. Total net revenues for the Electric enterprise fund were \$4,611,206.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

AMP Ohio Payable - The City of Bowling Green is a participant in American Municipal Power (AMP-Ohio) and a participant in the American Municipal Power Generating Station Project (AMPGS). This project was anticipated to develop a pulverized coal power plant in Meigs County, Ohio. As a participant, the City executed a take or pay contract on October 1, 2007, in order to participate in this project. The City's share of the project was 21,000 kW of a total capacity of 771,281 kW, giving the City a 2.72 percent share of the project.

The power plant had an estimated cost of \$3 billion; however, as construction progressed, the project's targeted capital costs increased by 37 percent and the engineer, procure, and construct contractor (EPC) could not guarantee that the construction costs would not continue to escalate. In November 2009, the participants in the project voted to terminate the development of the plant.

The take or pay contract executed by the participants requires the participants of the project to pay any costs incurred on the project. To date, the final costs to project participants have not been finalized. At December 31, 2012, AMP-Ohio had a regulatory asset for the recovery of the abandoned construction costs. Based on an allocation to the City of Bowling Green of 21,000 kW and the allocation methodology approved by the AMP-Ohio Board of Trustees, the City of Bowling Green had a potential stranded costs obligation of \$1,755,660 for the AMPGS project as of December 31, 2012.

At the time the participants voted to terminate the coal power plant, they also voted to pursue conversion of the project to a natural gas combined cycle plant. This plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the natural gas combined plant was suspended due to the availability of purchasing the AMP Fremont Energy Center (AFEC) at a favorable price. The City of Bowling Green is not a participant in the AFEC project.

AMP-Ohio has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the City may have as a result of the cancellation of the AMPGS project. Meetings with AMPGS project participants have been held as necessary to communicate any updates for both the costs being incurred and the ongoing litigation. At the request of the participants, in November 2011, December 2011, and April 2013, AMP-Ohio sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded costs liability and providing options for payment of those stranded costs if the participant chose to make payments. These memos were not invoices but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP-Ohio is holding the AMPGS project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case against the EPC contractor. AMP-Ohio will hold any payments received as a deposit in order to cease interest accruals on the portion paid.

The City has determined its accounting treatment of this obligation based on advice of the City's Law Director, information provided by AMP-Ohio and its legal counsel, and City management. As of December 31, 2012, the City had paid \$1,679,000 of this obligation which AMP-Ohio is holding in the City's account until final costs to project participants are determined and legal proceedings related to AMP-Ohio's lawsuit against the EPC are concluded. As a result, this amount is reflected on the City's financial statements as part of "Cash and Cash Equivalents with Fiscal Agents." The City intends to pay the remaining balance of this liability, in the amount of \$1,900,250, in 2014. In addition, the City has recorded a regulatory asset for the recovery of their share of the abandoned construction costs, or \$3,579,250.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

The City's legal debt margin was \$35,035,244 at December 31, 2012.

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

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2012, were as follows:

Year	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2013	\$705,000	\$213,344	\$484,067	\$168,783
2014	565,000	186,192	999,887	305,811
2015	560,000	164,639	877,482	257,549
2016	515,000	142,488	743,282	221,082
2017	540,000	122,487	776,671	187,690
2018 to 2022	2,425,000	370,013	2,084,983	519,206
2023 to 2027	1,330,000	133,299	1,199,707	239,386
2028	235,000	7,050	683,063	36,485
Total	\$6,875,000	\$1,339,512	\$7,849,142	\$1,935,992

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012, from the enterprise funds were as follows:

Year	General Obligation Bonds		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2013	\$350,000	\$112,963	\$1,064,931	\$244,106
2014	360,000	99,776	1,093,972	214,505
2015	370,000	86,187	1,121,954	186,449
2016	375,000	71,788	580,036	151,179
2017	315,000	57,187	607,439	123,918
2018 to 2022	1,715,000	149,963	900,090	193,035
2023	370,000	8,324	0	0
Total	\$3,855,000	\$586,188	\$5,368,422	\$1,113,192

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

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

	Date of Issue	Amount of Issue	Balance December 31, 2012
Multi-Family Housing Revenue Bonds			
Bowling Green Village Series 2001 A	6/1/2001	\$3,320,000	\$2,880,000
Student Housing	6/16/2010	\$81,610,000	\$81,290,000
Ohio Water Development Authority Loan			
Hiram College	4/29/2004	611,872	611,872

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

NOTE 21 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for vehicles. Principal payments in 2012 were \$26,877 in governmental funds.

	Governmental Activities
Vehicles	\$179,604
Less Accumulated Depreciation	(64,357)
Carrying Value, December 31, 2012	\$115,247

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012.

Year	Governmental Activities	
	Principal	Interest
2013	\$28,220	\$3,550
2014	42,762	2,138
	\$70,982	\$5,688

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 22 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Playground and Recreation	Sewer and Water Improvement	Street Repair	Other Governmental Funds
Nonspendable for:					
Prepaid Items	\$79,273	0	0	0	0
Unclaimed Monies	45,867	0	0	0	0
Total Nonspendable	<u>125,140</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted for:					
Capital Improvements	0	0	3,540,550	0	2,039,945
Cemetery Operations and Maintenance	0	0	0	0	32,095
Community Development	0	0	0	0	830,306
Court Operations	0	0	0	0	370,842
Debt Retirement	0	0	0	0	89,823
Playground and Recreation	0	421,585	0	0	0
Police and Fire Operations	0	0	0	0	1,726,065
Public Transit	0	0	0	0	17,624
Street Construction and Maintenance	0	0	0	570,533	1,062,591
Total Restricted	<u>0</u>	<u>421,585</u>	<u>3,540,550</u>	<u>570,533</u>	<u>6,169,291</u>
Committed to:					
Equipment Replacement	0	0	0	0	161,690
Facility Replacement	0	0	0	0	462,906
Greenspace Enhancements	140,113	0	0	0	0
Parking Enforcement and Maintenance	222,079	0	0	0	23,754
Roadway Replacement	0	0	0	0	50,000
Total Committed	<u>362,192</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>698,350</u>
Assigned for:					
Payroll Stabilization	50,000	0	0	0	0
Debt Retirement	0	0	0	0	77,484
Unpaid Obligations	133,924	0	0	0	0
Total Assigned	<u>183,924</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>77,484</u>
Unassigned	3,486,105	0	0	0	0
Total Fund Balance	<u>\$4,157,361</u>	<u>\$421,585</u>	<u>\$3,540,550</u>	<u>\$570,533</u>	<u>\$6,945,125</u>

NOTE 23 - INTERFUND TRANSFERS

During 2012, the General Fund made transfers, in the amount of \$46,718 to other governmental funds to subsidize activities in those funds. The Sewer and Water Improvement Fund made transfers, in the amount of \$700,000, to the Street Repair Fund to subsidize activities in those funds. The Street Repair Fund made transfers, in the amount of \$167,013, to other governmental funds as debt payments came due. Other governmental funds made transfers to other governmental funds, in the amount of \$54,500 for transit operations, in the amount of \$645,938 as debt payments came due, and in the amount of \$100,000 to fund equipment capital maintenance.

NOTE 24 - INSURANCE POOLS

A. Buckeye Ohio Risk Management Agency (BORMA)

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

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA did not have any outstanding debt obligations as of December 31, 2012. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., 1500 West Third Street, Suite 405, Cleveland, Ohio 44113.

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

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

NOTE 25 - JOINT VENTURES

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

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 25 - JOINT VENTURES (continued)

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2012, the City had met its debt coverage obligation.

JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The project consists of 138.65 MW of distributed generation (of which 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net position will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. During 2011, AMP-Ohio retired the remaining balance of these bonds; however, the City is still responsible for paying the remainder of their obligation for this debt to AMP-Ohio. The City's net obligation for these bonds at December 31, 2012, was \$3,659,599 (including previous billings to members, interest payable, and debt service paid and collected).

The City's net investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's net investment in JV2 was \$3,749,441 at December 31, 2012. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

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

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

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

NOTE 25 - JOINT VENTURES (continued)

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV5 debt service and any other outstanding senior lien electric system revenue obligations. Upon dissolution of JV5, the net position will be shared by the participants on a percentage of ownership basis. As of December 31, 2012, the City had met its debt coverage obligation.

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

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

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

The City's net investment and its share of operating results of JV5 are reported in the City's Electric enterprise fund. The City's net investment in JV5 was \$1,537,130 at December 31, 2012. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

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

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 25 - JOINT VENTURES (continued)

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2012, the City had met its debt coverage obligation.

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

JV6 was created to provide for low-polluting capacity electricity through wind energy. The project consists of four wind turbines with a nominal capacity of 1.8 MW and related facilities. Upon dissolution of JV6, the net position will be shared by the participants on a percentage of ownership basis. JV6 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2004, AMP-Ohio issued \$9,861,000 of fifteen year adjustable rate bonds on behalf of the financing participants of JV6. The proceeds of the bond issue were contributed to JV6. The City's net obligation for these bonds at December 31, 2012, was \$1,708,823.

The City's net investment and its share of the operating results of JV6 are reported in the City's Electric enterprise fund. The City's net investment in JV6 was \$4,865,165 at December 31, 2012. Complete financial statements for JV6 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

NOTE 26 - JOINTLY GOVERNED ORGANIZATION

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 27 - CONTINGENT LIABILITIES

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

For the period January 1, 2012, to December 31, 2012, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 28 - SUBSEQUENT EVENTS

On March 13, 2013, the City issued general obligation bonds, in the amount of \$8,375,000, to refund bonds previously issued and to finance certain additional improvements. The bonds have interest rates ranging from 1.5 to 4 percent and will mature on December 1, 2032.

On May 20, 2013, the Board of Public Utilities voted to award a \$3,255,000 contract to Landmark Structures of Fort Worth, Texas for the construction of a new 1.5 million gallon water tower.

Comparative Enterprise Fund Financial Statements

City of Bowling Green
Comparative Statement of Fund Net Position
Enterprise Funds
December 31, 2012, and 2011

	Electric		Water	
	2012	2011	2012	2011
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$20,013,586	\$14,796,392	\$4,932,275	\$4,175,044
Cash and Cash Equivalents with Fiscal Agents	1,917,902	1,932,007	0	0
Accounts Receivable	4,908,956	4,816,643	442,307	419,996
Due from Other Governments	1,850	5,200	24	96
Other Local Taxes Receivable	134,592	127,146	0	0
Interfund Receivable	19,304	19,204	11,606	7,746
Prepaid Items	26,426	22,759	26,425	22,758
Materials and Supplies Inventory	1,025,773	1,022,272	117,212	141,336
Total Current Assets	28,048,389	22,741,623	5,529,849	4,766,976
<u>Non-Current Assets</u>				
Recovered Purchased Power Receivable	1,900,250	1,804,750	0	0
Unamortized Bond Issuance Cost	0	4,853	0	11,004
Nondepreciable Capital Assets	3,034,437	2,769,101	3,125,992	17,096,864
Depreciable Capital Assets, Net	14,368,288	15,398,990	41,068,912	26,342,142
Investment in Joint Venture	10,151,736	10,744,563	0	0
Total Non-Current Assets	29,454,711	30,722,257	44,194,904	43,450,010
Total Assets	57,503,100	53,463,880	49,724,753	48,216,986
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding	0	0	29,707	0
<u>Current Liabilities</u>				
Accrued Wages Payable	53,158	44,896	34,672	26,207
Accounts Payable	2,999,738	2,412,713	121,613	76,332
Contracts Payable	4,345	32,714	0	366
Due to Other Governments	110,850	100,387	54,526	50,850
Interfund Payable	284,540	123,168	5,829	6,112
Accrued Interest Payable	1,166	2,486	1,858	2,921
Notes Payable	157,601	985,000	0	0
General Obligation Bonds Payable	70,000	65,000	60,000	55,000
Compensated Absences Payable	148,572	220,775	86,738	72,988
AMP Ohio Payable	1,064,931	985,628	0	0
Total Current Liabilities	4,894,901	4,972,767	365,236	290,776
<u>Non-Current Liabilities</u>				
General Obligation Bonds Payable	220,000	293,446	725,000	757,812
Compensated Absences Payable	320,821	277,538	166,024	161,196
AMP Ohio Payable	6,203,741	7,382,951	0	0
Total Non-Current Liabilities	6,744,562	7,953,935	891,024	919,008
Total Liabilities	11,639,463	12,926,702	1,256,260	1,209,784
<u>Deferred Inflows of Resources</u>				
Recovered Purchased Power	2,273,471	0	0	0
<u>Net Position</u>				
Net Investment in Capital Assets	16,955,124	16,829,498	43,439,611	42,637,198
Unrestricted	26,635,042	23,707,680	5,058,589	4,370,004
Total Net Position	\$43,590,166	\$40,537,178	\$48,498,200	\$47,007,202

Sewer		Totals	
2012	2011	2012	2011
\$2,741,999	\$2,558,143	\$27,687,860	\$21,529,579
0	0	1,917,902	1,932,007
460,753	428,610	5,812,016	5,665,249
1,767	2,313	3,641	7,609
0	0	134,592	127,146
0	30,251	30,910	57,201
26,422	22,758	79,273	68,275
0	102,576	1,142,985	1,266,184
<u>3,230,941</u>	<u>3,144,651</u>	<u>36,809,179</u>	<u>30,653,250</u>
0	0	1,900,250	1,804,750
0	38,888	0	54,745
3,472,989	2,989,514	9,633,418	22,855,479
43,314,120	42,862,596	98,751,320	84,603,728
0	0	10,151,736	10,744,563
<u>46,787,109</u>	<u>45,890,998</u>	<u>120,436,724</u>	<u>120,063,265</u>
<u>50,018,050</u>	<u>49,035,649</u>	<u>157,245,903</u>	<u>150,716,515</u>
<u>104,612</u>	<u>0</u>	<u>134,319</u>	<u>0</u>
36,900	28,796	124,730	99,899
70,824	76,537	3,192,175	2,565,582
147	0	4,492	33,080
56,802	53,114	222,178	204,351
16,378	18,749	306,747	148,029
6,588	10,320	9,612	15,727
0	0	157,601	985,000
220,000	190,000	350,000	310,000
98,327	94,278	333,637	388,041
0	0	1,064,931	985,628
<u>505,966</u>	<u>471,794</u>	<u>5,766,103</u>	<u>5,735,337</u>
2,560,000	2,682,612	3,505,000	3,733,870
209,218	151,731	696,063	590,465
0	0	6,203,741	7,382,951
<u>2,769,218</u>	<u>2,834,343</u>	<u>10,404,804</u>	<u>11,707,286</u>
<u>3,275,184</u>	<u>3,306,137</u>	<u>16,170,907</u>	<u>17,442,623</u>
<u>0</u>	<u>0</u>	<u>2,273,471</u>	<u>0</u>
44,111,721	43,018,386	104,506,456	102,485,082
2,735,757	2,711,126	34,429,388	30,788,810
<u>\$46,847,478</u>	<u>\$45,729,512</u>	<u>\$138,935,844</u>	<u>\$133,273,892</u>

City of Bowling Green
Comparative Statement of Revenues, Expenses, and Change in Fund Net Position
Enterprise Funds
For the Years Ended December 31, 2012, and 2011

	Electric		Water	
	2012	2011	2012	2011
<u>Operating Revenues</u>				
Charges for Services	\$40,049,785	\$41,476,927	\$4,279,511	\$3,917,173
Other	577,348	785,874	90,252	50,023
Total Operating Revenues	40,627,133	42,262,801	4,369,763	3,967,196
<u>Operating Expenses</u>				
Purchased Power	30,992,824	30,294,689	0	0
Plant Operation	0	0	1,970,994	1,994,589
Distribution Operation	3,580,586	2,939,481	967,586	804,570
Administrative and General	1,280,420	1,592,069	548,868	575,604
Information and Technology	162,097	135,857	53,504	45,367
Depreciation	1,211,400	1,218,575	1,087,513	886,334
Total Operating Expenses	37,227,327	36,180,671	4,628,465	4,306,464
Operating Income (Loss)	3,399,806	6,082,130	(258,702)	(339,268)
<u>Non-Operating Revenues (Expenses)</u>				
Excise Taxes	1,685,868	1,616,744	0	0
Excise Taxes Expense	(1,685,868)	(1,616,744)	0	0
Interest Revenue	0	21,655	350	431
Interest Expense	(60,546)	(37,515)	(42,298)	(39,782)
Grants	302,517	0	0	0
Gain on Disposal of Capital Assets	0	0	31,555	0
Investment in Joint Venture	(592,827)	(355,742)	0	0
Total Non-Operating Revenues (Expenses)	(350,856)	(371,602)	(10,393)	(39,351)
Income (Loss) Before Contributions	3,048,950	5,710,528	(269,095)	(378,619)
Capital Contributions	4,038	0	1,760,093	2,462,595
Change in Net Position	3,052,988	5,710,528	1,490,998	2,083,976
Net Position Beginning of Year	40,537,178	34,826,650	47,007,202	44,923,226
Net Position End of Year	\$43,590,166	\$40,537,178	\$48,498,200	\$47,007,202

Sewer		Totals	
2012	2011	2012	2011
\$3,519,029	\$3,685,822	\$47,848,325	\$49,079,922
359,474	316,350	1,027,074	1,152,247
3,878,503	4,002,172	48,875,399	50,232,169
0	0	30,992,824	30,294,689
1,726,443	1,744,489	3,697,437	3,739,078
790,774	769,930	5,338,946	4,513,981
628,339	1,005,320	2,457,627	3,172,993
53,510	45,253	269,111	226,477
1,412,277	1,344,481	3,711,190	3,449,390
4,611,343	4,909,473	46,467,135	45,396,608
(732,840)	(907,301)	2,408,264	4,835,561
0	0	1,685,868	1,616,744
0	0	(1,685,868)	(1,616,744)
540	683	890	22,769
(151,149)	(130,507)	(253,993)	(207,804)
0	0	302,517	0
208,737	0	240,292	0
0	0	(592,827)	(355,742)
58,128	(129,824)	(303,121)	(540,777)
(674,712)	(1,037,125)	2,105,143	4,294,784
1,792,678	492,063	3,556,809	2,954,658
1,117,966	(545,062)	5,661,952	7,249,442
45,729,512	46,274,574	133,273,892	126,024,450
<u>\$46,847,478</u>	<u>\$45,729,512</u>	<u>\$138,935,844</u>	<u>\$133,273,892</u>

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2012, and 2011

	Electric		Water	
	2012	2011	2012	2011
<u>Increases (Decreases) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$42,238,710	\$41,757,636	\$4,253,420	\$3,884,127
Cash Payments for Purchased Power	(31,948,370)	(32,321,700)	0	0
Cash Payments for Plant Operation	0	0	(1,931,207)	(1,991,166)
Cash Payments for Distribution Operation	(3,164,971)	(2,966,939)	(927,605)	(841,803)
Cash Payments for Administrative and General	(1,228,370)	(1,613,476)	(533,168)	(591,889)
Cash Payments for Information and Technology	(160,401)	(131,513)	(53,172)	(43,687)
Cash Received from Other Revenues	558,828	785,828	90,252	50,023
Net Cash Provided by Operating Activities	<u>6,295,426</u>	<u>5,509,836</u>	<u>898,520</u>	<u>465,605</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Cash Received from Excise Taxes	1,685,868	1,616,744	0	0
Cash Payments for Excise Tax Distribution	(1,685,868)	(1,616,744)	0	0
Grants	302,517	0	0	0
Net Cash Provided by Noncapital Financing Activities	<u>302,517</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Bond Anticipation Notes	(985,000)	(2,475,000)	0	0
Principal Paid on General Obligation Bonds	(65,000)	(65,000)	(55,000)	(55,000)
Principal Paid on Capital Leases	0	0	0	(55,538)
Interest Paid on Bond Anticipation Notes	(46,421)	(31,788)	0	0
Interest Paid on General Obligation Bonds	(14,038)	(16,313)	(40,169)	(36,975)
Interest Paid on Capital Leases	0	0	0	(2,749)
Payment to Refunded Bond Escrow Agent	0	0	(479,707)	0
Bond Anticipation Notes Issued	157,601	985,000	0	0
Refunding General Obligation Bonds Issued	0	0	485,000	0
Acquisition of Capital Assets	(441,996)	(2,045,489)	(83,318)	(126,617)
Sale of Capital Assets	0	0	31,555	0
Net Cash Used for Capital and Related Financing Activities	<u>(1,394,854)</u>	<u>(3,648,590)</u>	<u>(141,639)</u>	<u>(276,879)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	0	21,655	350	431
Net Increase in Cash and Cash Equivalents	5,203,089	1,882,901	757,231	189,157
Cash and Cash Equivalents Beginning of Year	<u>16,728,399</u>	<u>16,524,498</u>	<u>4,175,044</u>	<u>3,985,887</u>
Cash and Cash Equivalents End of Year	<u>\$21,931,488</u>	<u>\$18,407,399</u>	<u>\$4,932,275</u>	<u>\$4,175,044</u>

Sewer		Totals	
2012	2011	2012	2011
\$3,517,686	\$3,626,061	\$50,009,816	\$49,267,824
0	0	(31,948,370)	(32,321,700)
(1,678,892)	(1,743,728)	(3,610,099)	(3,734,894)
(760,658)	(795,458)	(4,853,234)	(4,604,200)
(542,044)	(1,014,331)	(2,303,582)	(3,219,696)
(53,172)	(43,572)	(266,745)	(218,772)
359,474	316,350	1,008,554	1,152,201
<u>842,394</u>	<u>345,322</u>	<u>8,036,340</u>	<u>6,320,763</u>
0	0	1,685,868	1,616,744
0		(1,685,868)	(1,616,744)
0	0	302,517	0
<u>0</u>	<u>0</u>	<u>302,517</u>	<u>0</u>
0	0	(985,000)	(2,475,000)
(190,000)	(185,000)	(310,000)	(305,000)
0	0	0	(55,538)
0	0	(46,421)	(31,788)
(143,605)	(130,313)	(197,812)	(183,601)
0	0	0	(2,749)
(1,689,612)	0	(2,169,319)	0
0	0	157,601	985,000
1,710,000	0	2,195,000	0
(588,996)	(29,014)	(1,114,310)	(2,201,120)
243,135	0	274,690	0
<u>(659,078)</u>	<u>(344,327)</u>	<u>(2,195,571)</u>	<u>(4,269,796)</u>
<u>540</u>	<u>683</u>	<u>890</u>	<u>22,769</u>
183,856	1,678	6,144,176	2,073,736
<u>2,558,143</u>	<u>2,556,465</u>	<u>23,461,586</u>	<u>23,066,850</u>
<u>\$2,741,999</u>	<u>\$2,558,143</u>	<u>\$29,605,762</u>	<u>\$25,140,586</u>

(continued)

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2012, and 2011
(continued)

	Electric		Water	
	2012	2011	2012	2011
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$3,399,806	\$7,761,130	(\$258,702)	(\$339,268)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Depreciation	1,211,400	1,218,575	1,087,513	886,334
<u>Changes in Assets and Liabilities:</u>				
(Increase) Decrease in Accounts Receivable	(92,313)	293,556	(22,311)	(34,845)
(Increase) Decrease in Due from Other Governments	3,350	(5,150)	72	24
(Increase) Decrease in Other Local Taxes Receivable	(7,446)	5,009	0	0
(Increase) Decrease in Interfund Receivable	(100)	(7,860)	(3,860)	1,783
(Increase) Decrease in Prepaid Items	(3,667)	3,851	(3,667)	3,852
(Increase) Decrease in Materials and Supplies Inventory	(3,501)	19,190	24,124	2,083
Increase in Recovered Purchased Power Receivable	(95,500)	(1,804,750)	0	0
Increase (Decrease) in Accrued Wages Payable	8,262	(30,359)	8,465	(25,066)
Increase (Decrease) in Accounts Payable	587,025	96,898	45,281	(2,963)
Increase (Decrease) in Contracts Payable	(28,369)	32,714	(366)	366
Increase (Decrease) in Recovered Purchased Power Payable	2,273,471	(1,954,465)	0	0
Increase in Due to Other Governments	10,463	15,927	3,676	7,214
Increase (Decrease) in Interfund Payable	161,372	(3,306)	(283)	292
Increase (Decrease) in Compensated Absences Payable	(28,920)	24,544	18,578	(34,201)
Decrease in AMP-Ohio Payable	(1,099,907)	(155,668)	0	0
Net Cash Provided by Operating Activities	<u>\$6,295,426</u>	<u>\$5,509,836</u>	<u>\$898,520</u>	<u>\$465,605</u>

Sewer		Totals	
2012	2011	2012	2011
(\$732,840)	(\$907,301)	\$2,408,264	\$6,514,561
1,412,277	1,344,481	3,711,190	3,449,390
(32,143)	(54,617)	(146,767)	204,094
546	(1,278)	3,968	(6,404)
0	0	(7,446)	5,009
30,251	(3,863)	26,291	(9,940)
(3,664)	3,852	(10,998)	11,555
102,576	(1,309)	123,199	19,964
0	0	(95,500)	(1,804,750)
8,104	(21,108)	24,831	(76,533)
(5,713)	17,069	626,593	111,004
147	0	(28,588)	33,080
0	0	2,273,471	(1,954,465)
3,688	9,051	17,827	32,192
(2,371)	8,237	158,718	5,223
61,536	(47,892)	51,194	(57,549)
0	0	(1,099,907)	(155,668)
<u>\$842,394</u>	<u>\$345,322</u>	<u>\$8,036,340</u>	<u>\$6,320,763</u>

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Assistance			
Community Development Block Grants/Entitlement Grants (CDBG) Cluster			
Entitlement Grant	N/A	14.218	\$319,069
CDBG Revolving Loans	N/A	14.218	324,399
Total Community Development Block Grant/Entitlement Grants Cluster			<u>643,468</u>
<i>Passed through Ohio Department of Development</i>			
Home Investment Partnerships Program Revolving Loans	N/A	14.239	30,526
Total U.S. Department of Housing and Urban Development			<u>673,994</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other than Urbanized Areas			
	RPT-4087-032-121	20.509	250,377
	RPT-0087-032-122	20.509	80,478
Total Formula Grants for Other than Urbanized Areas			<u>330,855</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Ohio Water Development Authority</i>			
Capitalization Grants for Drinking Water State Revolving Funds	Grant Number 5242	66.468	283,625
Total Federal Awards Expenditures			<u><u>\$1,288,474</u></u>

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

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The City passes certain federal awards received from the U.S. Department of Housing and Urban Development to not-for-profit agencies (subrecipients). As Note A describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

Program Title	Federal CFDA Number	Amount Provided to Subrecipient
Community Development Block Grants/Entitlement Grants (CDBG) Cluster: Entitlement Grant	14.218	\$10,600

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule) when drawn from HUD. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, and are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2012, the gross amounts of loans outstanding under this program were \$541,963.

Activity in the CDBG revolving loan fund during 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$417,944
Loans written off:	(\$5,650)
Loans made:	324,000
Loan principal repaid:	(194,331)
Ending Loans receivable balance as of December 31, 2012	<u>\$541,963</u>
Program Expenditures:	
Loans Issued in 2012	\$324,000
Administrative costs expended during 2012	399
Other grants administered through the 14.218 program	319,069
Total CDBG 14.218 program expenditures	<u>\$643,468</u>

NOTE D – DOWNPAYMENT ASSISTANCE (HOME) LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City, passed through the Ohio Department of Development. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2012, the gross amounts of loans outstanding under this program were \$54,718. The City made no new loans under this program in 2012.

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

The City has established a revolving loan program to provide zero interest, forgivable, deferred payment loans to low-moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City, passed through the Ohio Department of Development. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, and are also included as disbursements on the Schedule.

The City worked with two properties with program costs totaling \$28,231 and \$2,295 in administrative expenditures under this program in 2012.

NOTE F – MATCHING REQUIREMENTS

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

NOTE G – FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 9, 2013, wherein we noted the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Bowling Green, Wood County, Ohio (the City), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the City of Bowling Green's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Bowling Green, Wood County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 9, 2013

**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grants Entitlement Grants – CFDA #14.218 Capitalization Grants for Drinking Water State Revolving Funds - CFDA #66.468
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CITY OF BOWLING GREEN

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 24, 2013**