



Dave Yost • Auditor of State

**CITY OF BOWLING GREEN
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, 2013, 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, 2013, 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.

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 Awards Expenditures Schedule also 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 relate 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 2, 2014, 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, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

September 2, 2014

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City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

The discussion and analysis of the City of Bowling Green's financial performance provides an overview of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2013 are as follows:

In total, the City's net position increased \$3,589,152, or 2 percent. Governmental activities decreased less than 1 percent and business-type activities increased almost 3 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, Debt Service, 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 2013. 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, 2013
Unaudited

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, Debt Service, 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, 2013
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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 2013 and 2012.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<u>Assets</u>						
Current and Other Assets	\$22,826,362	\$24,775,428	\$38,737,657	\$38,395,789	\$61,564,019	\$63,171,217
Capital Assets, Net	48,812,091	50,227,060	112,943,841	108,384,738	161,755,932	158,611,798
Investment in Joint Venture	0	0	9,495,271	10,151,736	9,495,271	10,151,736
Total Assets	<u>71,638,453</u>	<u>75,002,488</u>	<u>161,176,769</u>	<u>156,932,263</u>	<u>232,815,222</u>	<u>231,934,751</u>
<u>Deferred Outflows of Resources</u>	<u>236,747</u>	<u>239,246</u>	<u>132,654</u>	<u>134,319</u>	<u>369,401</u>	<u>373,565</u>
<u>Liabilities</u>						
Current and Other Liabilities	2,104,265	3,447,440	6,820,075	3,710,788	8,924,340	7,158,228
Long-Term Liabilities	30,472,034	32,465,151	9,506,174	12,153,372	39,978,208	44,618,523
Total Liabilities	<u>32,576,299</u>	<u>35,912,591</u>	<u>16,326,249</u>	<u>15,864,160</u>	<u>48,902,548</u>	<u>51,776,751</u>
<u>Deferred Inflows of Resources</u>	<u>2,321,964</u>	<u>2,300,093</u>	<u>2,412,958</u>	<u>2,273,471</u>	<u>4,734,922</u>	<u>4,573,564</u>
<u>Net Position</u>						
Net Investment in Capital Assets	36,866,076	39,374,799	107,011,495	104,506,456	143,877,571	143,881,255
Restricted	11,720,655	11,240,959	0	0	11,720,655	11,240,959
Unrestricted (Deficit)	(11,609,794)	(13,586,708)	35,558,721	34,422,495	23,948,927	20,835,787
Total Net Position	<u>\$36,976,937</u>	<u>\$37,029,050</u>	<u>\$142,570,216</u>	<u>\$138,928,951</u>	<u>\$179,547,153</u>	<u>\$175,958,001</u>

City of Bowling Green
Management's Discussion and Analysis
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As reflected in the above table, the change in net position for governmental activities was a decrease of less than 1 percent. Although the overall change is not significant, there are a few changes to note. There was a decrease in cash and cash equivalents of \$1.5 million due to spending the remainder of debt proceeds received in the prior year for improvements for the aquatic center. There was also a decrease of approximately \$725,000 in amounts due from other governments. For 2012, the City had a receivable for estate taxes and grant resources that were outstanding at year end. The decrease in capital assets and invested in capital assets largely represents capital assets transferred to business-type activities. Current and other liabilities decreased due to a reduction in outstanding contracts and retainage related to construction projects at the end of the year, the timing of payment for the December police and fire pension contribution, and a decrease in short-term bond anticipation notes. The decrease in long-term liabilities was the result of scheduled debt payments.

Business-type activities reflect an increase in net position of \$3.6 million (3 percent). There was an increase in cash and cash equivalents (current and other assets) of \$1.1 million primarily due to the excess of revenues over expenses in the Electric enterprise fund. This increase is also reflected in the increase in unrestricted net position. The increase in net capital assets and invested in capital assets is due to the completion of the North Prospect/Ordway waterline, the Poe and Mercer Road pump station improvements, and the North Main Street widening projects. The increase in current and other liabilities is the result of an increase in short-term bond anticipation notes for electric system improvements. The decrease in long-term liabilities is the result of scheduled debt payments..

Table 2 reflects the change in net position for 2013 and 2012.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$3,806,611	\$4,120,498	\$55,190,018	\$49,510,747	\$58,996,629	\$53,631,245
Operating Grants, Contributions, and Interest	1,856,067	2,179,147	0	302,517	1,856,067	2,481,664
Capital Grants and Contributions	36,690	5,896,744	0	0	36,690	5,896,744
Total Program Revenues	<u>5,699,368</u>	<u>12,196,389</u>	<u>55,190,018</u>	<u>49,813,264</u>	<u>60,889,386</u>	<u>62,009,653</u>
General Revenues						
Property Taxes-General Purposes	1,476,063	1,463,354	0	0	1,476,063	1,463,354
Property Taxes-Playground and Recreation	830,000	569,082	0	0	830,000	569,082
Municipal Income Taxes	17,600,059	16,167,886	0	0	17,600,059	16,167,886
Other Local Taxes	2,074,962	1,959,175	0	0	2,074,962	1,959,175
Grants and Entitlements not Restricted to Specific Programs	1,022,667	1,683,772	0	0	1,022,667	1,683,772
Franchise Taxes	316,714	320,000	0	0	316,714	320,000
Interest	80,365	191,533	8,682	890	89,047	192,423
Other	1,309,246	686,276	1,351,386	1,267,366	2,660,632	1,953,642
Total General Revenues	<u>24,710,076</u>	<u>23,041,078</u>	<u>1,360,068</u>	<u>1,268,256</u>	<u>26,070,144</u>	<u>24,309,334</u>
Total Revenues	<u>30,409,444</u>	<u>35,237,467</u>	<u>56,550,086</u>	<u>51,081,520</u>	<u>86,959,530</u>	<u>86,318,987</u>

(continued)

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$5,465,002	\$5,430,502	\$0	\$0	\$5,465,002	\$5,430,502
Fire/Ambulance	5,821,816	5,546,732	0	0	5,821,816	5,546,732
Public Health	77,487	79,346	0	0	77,487	79,346
Leisure Time Activities	2,360,088	2,147,769	0	0	2,360,088	2,147,769
Community Environment	859,797	910,349	0	0	859,797	910,349
Basic Utility Services	656,832	618,008	0	0	656,832	618,008
Transportation	6,263,429	5,532,616	0	0	6,263,429	5,532,616
General Government						
Court	1,613,071	1,608,917	0	0	1,613,071	1,608,917
Other	3,379,348	3,027,525	0	0	3,379,348	3,027,525
Internal Service Fund External Portion	30,911	42,958	0	0	30,911	42,958
Interest and Fiscal Charges	1,156,540	997,382	0	0	1,156,540	997,382
Electric	0	0	46,326,742	39,566,375	46,326,742	39,566,375
Water	0	0	4,675,413	4,667,751	4,675,413	4,667,751
Sewer	0	0	4,683,902	4,750,299	4,683,902	4,750,299
Total Expenses	<u>27,684,321</u>	<u>25,942,104</u>	<u>55,686,057</u>	<u>48,984,425</u>	<u>83,370,378</u>	<u>74,926,529</u>
Increase in Net Position						
Before Transfers	2,725,123	9,295,363	864,029	2,097,095	3,589,152	11,392,458
Transfers	<u>(2,777,236)</u>	<u>(3,556,809)</u>	<u>2,777,236</u>	<u>3,556,809</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	(52,113)	5,738,554	3,641,265	5,653,904	3,589,152	11,392,458
Net Position Beginning 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>
Net Position End of Year	<u>\$36,976,937</u>	<u>\$37,029,050</u>	<u>\$142,570,216</u>	<u>\$138,928,951</u>	<u>\$179,547,153</u>	<u>\$175,958,001</u>

For governmental activities, program revenues decreased substantially (over 53 percent) due to a decrease in capital grants and contributions. In the prior year, the City received capital grants for improvements on North Main Street. There was a 7 percent increase in general revenues primarily due to an increase in municipal income taxes as economic conditions continue to improve and other revenues from a one-time reimbursement.

There was an increase in expenses from the prior year of almost 7 percent, the largest increase reflected in the transportation program. This increase is related to the North Main Street widening project as well as other street improvements.

As expected, program revenues make up a significant portion of the total revenues for business-type activities (over 97 percent). There was a significant increase in program revenues. The expansion of a manufacturing facility in the City increased charges for services revenue in the Electric Fund. Expenses for the Electric Fund also increased substantially due to the increase in purchase of power costs from this increased demand in electricity.

City of Bowling Green
Management's Discussion and Analysis
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Unaudited

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	
	2013	2012	2013	2012
Security of Persons and Property				
Police	\$5,465,002	\$5,430,502	\$5,084,536	\$5,056,361
Fire/Ambulance	5,821,816	5,546,732	5,216,113	5,138,023
Public Health	77,487	79,346	40,141	34,701
Leisure Time Activities	2,360,088	2,147,769	1,399,067	1,278,440
Community Environment	859,797	910,349	550,354	547,580
Basic Utility Services	656,832	618,008	618,407	(394,252)
Transportation	6,263,429	5,532,616	4,349,459	(1,575,127)
General Government				
Court	1,613,071	1,608,917	427,599	(150,607)
Other	3,379,348	3,027,525	3,146,070	2,804,272
Internal Service Fund External Portion	30,911	42,958	(3,333)	8,942
Interest and Fiscal Charges	1,156,540	997,382	1,156,540	997,382
Total Expenses	<u>\$27,684,321</u>	<u>\$25,942,104</u>	<u>\$21,984,953</u>	<u>\$13,745,715</u>

For 2013, there was a substantial decrease in program revenues (due to the significant decrease in capital grants and contributions), therefore, more 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 (91 percent paid from general revenues). The programs receiving significant support through program revenues in 2013 included the leisure time activities, community environment, and transportation programs. The leisure time activities program is supported through admission and sports fees, rentals, and concession charges. The community environment program receives grant resources through the Ohio Department of Development for neighborhood stabilization efforts. 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, the Debt Service debt service fund. For 2013, the General Fund had a 12 percent decrease in fund balance. Revenues decreased over \$900,000 primarily from a decrease in intergovernmental resources and there was a modest increase (3 percent) in expenditures.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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The Playground and Recreation Fund had an increase in fund balance of \$38,563. Both revenues and expenditures increased approximately 9 percent. The Debt Service fund had a 95 percent increase in fund balance. During 2013, the City refunded debt and received a substantial transfer from other funds.

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 2013. Net position increased 4 percent in the Electric Fund. There was a significant increase in both revenues and expenses due, in part, to the expansion of a local manufacturing firm.

Despite an operating loss in the Water and Sewer funds, these funds reflect an increase in net position of less than 1 percent and 3 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 2013, capital asset contributions from the Sewer and Water Improvement capital projects fund were \$279,322 in the Water Fund and \$2,497,914 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 and expenditures, modifications from the original budget to the final budget and from the final budget to actual revenues and expenditures were not significant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2013, was \$36,866,076 and \$107,011,495, 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 2013 consisted primarily of the North Main Street widening project and the aquatic complex improvements. The most significant additions for business-type activities were construction in progress for electric system improvements as a result of the local manufacturing firm expansion and the completion of the utilities related to the North Main Street widening project. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Debt - At December 31, 2013, the City had \$600,000 in outstanding bond anticipation notes, \$11,540,000 in general obligation bonds, and \$17,312,204 in OWDA loans payable from governmental activities. Business-type activities had \$2,635,000 in bond anticipation notes and \$3,430,000 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$4,017,408, 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 18, 19, and 20 to the basic financial statements.

CURRENT ISSUES

Several major projects were completed in 2013 including the North Main Street widening project and the completion of the aquatic facility located in City Park. Bonds were issued to cover these costs as part of a larger refinancing of 2004 Various Purpose Improvement bonds allowing the City to take advantage of the current favorable interest rate environment. Near the end of 2013, the City issued bond anticipation notes for \$600,000 for the purchase of land for athletic fields and park land.

As part of a regular periodic review, Standard and Poor's revised the City's issuer credit rating upward to AA- from A+. They also increased the City's long-term rating to AA- from A+ on the City's series 2012 and 2013 general obligation bonds. The outlook was graded as stable.

The City converted to an upgraded software system through the current vendor, New World Systems, for finance, human resources, and payroll. Implementation went live in January 2014. The utility billing system is currently in the upgrade process and this portion of the project is expected to go live in November 2014.

Work continues on the electric system improvements due to the expansion of Vehtek Systems, a local automotive manufacturer. The final phase of the improvements will require the expansion of the Dunbridge Road substation. An additional \$3,000,000 in bond anticipation notes will be issued to finance the project.

Construction on a new elevated water storage tank (water tower) has begun in 2014. A low-interest OWDA loan and an OWPC grant will provide funding this project.

REQUEST FOR INFORMATION

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

City of Bowling Green
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$14,017,672	\$30,417,422	\$44,435,094
Cash and Cash Equivalents in Segregated Accounts	2,531	0	2,531
Cash and Cash Equivalents with Escrow Agents	56,994	0	56,994
Cash and Cash Equivalents with Fiscal Agents	0	238,902	238,902
Accounts Receivable	703,783	5,868,615	6,572,398
Accrued Interest Receivable	54,561	0	54,561
Due from Other Governments	1,083,945	3,279	1,087,224
Municipal Income Taxes Receivable	3,343,964	0	3,343,964
Other Local Taxes Receivable	57,998	136,249	194,247
Internal Balances	134,174	(134,174)	0
Prepaid Items	69,232	69,231	138,463
Materials and Supplies Inventory	0	1,141,523	1,141,523
Property Taxes Receivable	2,410,806	0	2,410,806
Notes Receivable	529,005	0	529,005
Special Assessments Receivable	361,697	0	361,697
Recovered Purchased Power Receivable	0	996,610	996,610
Nondepreciable Capital Assets	4,460,088	10,070,247	14,530,335
Depreciable Capital Assets, Net	44,352,003	102,873,594	147,225,597
Investment in Joint Venture	0	9,495,271	9,495,271
Total Assets	71,638,453	161,176,769	232,815,222
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	236,747	132,654	369,401
<u>Liabilities</u>			
Accrued Wages Payable	379,608	142,476	522,084
Accounts Payable	609,730	3,310,565	3,920,295
Contracts Payable	20,758	582,136	602,894
Due to Other Governments	408,580	138,626	547,206
Accrued Interest Payable	28,595	11,272	39,867
Notes Payable	600,000	2,635,000	3,235,000
Retainage Payable	56,994	0	56,994
Long-Term Liabilities			
Due Within One Year	2,337,838	1,978,725	4,316,563
Due in More Than One Year	28,134,196	7,527,449	35,661,645
Total Liabilities	32,576,299	16,326,249	48,902,548
<u>Deferred Inflows of Resources</u>			
Property Taxes	2,321,964	0	2,321,964
Recovered Purchased Power	0	2,412,958	2,412,958
Total Deferred Inflows of Resources	2,321,964	2,412,958	4,734,922
<u>Net Position</u>			
Net Investment in Capital Assets	36,866,076	107,011,495	143,877,571
Restricted for			
Debt Service	423,590	0	423,590
Capital Projects	6,338,373	0	6,338,373
Street Maintenance and Repair	1,151,604	0	1,151,604
Community Development	798,575	0	798,575
Security of Persons and Property - Police	655,545	0	655,545
Security of Persons and Property - Fire	932,657	0	932,657
Other Purposes	1,420,311	0	1,420,311
Unrestricted (Deficit)	(11,609,794)	35,558,721	23,948,927
Total Net Position	\$36,976,937	\$142,570,216	\$179,547,153

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Activities
For the Year Ended December 31, 2013

	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	\$5,465,002	\$327,502	\$52,964	\$0
Fire/Ambulance	5,821,816	605,703	0	0
Public Health	77,487	37,346	0	0
Leisure Time Activities	2,360,088	902,626	58,395	0
Community Environment	859,797	9,858	299,585	0
Basic Utility Services	656,832	1,735	0	36,690
Transportation	6,263,429	674,980	1,238,990	0
General Government				
Court	1,613,071	980,591	204,881	0
Other	3,379,348	232,026	1,252	0
Internal Service Fund				
External Portion	30,911	34,244	0	0
Interest and Fiscal Charges	1,156,540	0	0	0
Total Governmental Activities	27,684,321	3,806,611	1,856,067	36,690
<u>Business-Type Activities</u>				
Electric	46,326,742	47,609,816	0	0
Water	4,675,413	4,218,674	0	0
Sewer	4,683,902	3,361,528	0	0
Total Business-Type Activities	55,686,057	55,190,018	0	0
Total	\$83,370,378	\$58,996,629	\$1,856,067	\$36,690

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

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
(\$5,084,536)	\$0	(\$5,084,536)
(5,216,113)	0	(5,216,113)
(40,141)	0	(40,141)
(1,399,067)	0	(1,399,067)
(550,354)	0	(550,354)
(618,407)	0	(618,407)
(4,349,459)	0	(4,349,459)
(427,599)	0	(427,599)
(3,146,070)	0	(3,146,070)
3,333	0	3,333
(1,156,540)	0	(1,156,540)
<u>(21,984,953)</u>	<u>0</u>	<u>(21,984,953)</u>
0	1,283,074	1,283,074
0	(456,739)	(456,739)
0	(1,322,374)	(1,322,374)
<u>0</u>	<u>(496,039)</u>	<u>(496,039)</u>
<u>(21,984,953)</u>	<u>(496,039)</u>	<u>(22,480,992)</u>
1,476,063	0	1,476,063
830,000	0	830,000
6,600,021	0	6,600,021
440,002	0	440,002
4,400,017	0	4,400,017
4,400,013	0	4,400,013
1,760,006	0	1,760,006
2,074,962	0	2,074,962
1,022,667	0	1,022,667
316,714	0	316,714
80,365	8,682	89,047
1,309,246	1,351,386	2,660,632
24,710,076	1,360,068	26,070,144
<u>(2,777,236)</u>	<u>2,777,236</u>	<u>0</u>
<u>21,932,840</u>	<u>4,137,304</u>	<u>26,070,144</u>
(52,113)	3,641,265	3,589,152
<u>37,029,050</u>	<u>138,928,951</u>	<u>175,958,001</u>
<u>\$36,976,937</u>	<u>\$142,570,216</u>	<u>\$179,547,153</u>

City of Bowling Green
Balance Sheet
Governmental Funds
December 31, 2013

	General	Playground and Recreation	Debt Service	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,892,099	\$491,105	\$150,849	\$9,433,230	\$13,967,283
Cash and Cash Equivalents in Segregated Accounts	0	0	0	2,531	2,531
Accounts Receivable	701,867	0	0	1,545	703,412
Accrued Interest Receivable	54,561	0	0	0	54,561
Due from Other Governments	568,202	29,310	0	484,425	1,081,937
Municipal Income Taxes Receivable	1,253,987	83,599	0	2,006,378	3,343,964
Other Local Taxes Receivable	40,785	0	0	17,213	57,998
Interfund Receivable	136,249	0	0	275,000	411,249
Prepaid Items	69,232	0	0	0	69,232
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	33,992	0	0	0	33,992
Cash and Cash Equivalents with Escrow Agents	0	0	0	56,994	56,994
Property Taxes Receivable	1,551,968	601,265	0	257,573	2,410,806
Notes Receivable	0	0	0	529,005	529,005
Special Assessments Receivable	0	0	0	361,697	361,697
Total Assets	<u>\$8,302,942</u>	<u>\$1,205,279</u>	<u>\$150,849</u>	<u>\$13,425,591</u>	<u>\$23,084,661</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$236,923	\$21,528	\$0	\$118,615	\$377,066
Accounts Payable	304,450	28,025	0	274,924	607,399
Contracts Payable	0	0	0	20,758	20,758
Due to Other Governments	225,401	28,837	0	151,774	406,012
Interfund Payable	3,631	223	0	277,115	280,969
Notes Payable	600,000	0	0	0	600,000
Payable from Restricted Assets					
Retainage Payable	0	0	0	56,994	56,994
Total Liabilities	<u>1,370,405</u>	<u>78,613</u>	<u>0</u>	<u>900,180</u>	<u>2,349,198</u>
<u>Deferred Inflows of Resources</u>					
Property Taxes	1,494,855	579,055	0	248,054	2,321,964
Unavailable Revenue	1,796,217	87,463	0	1,630,386	3,514,066
Total Deferred Inflows of Resources	<u>3,291,072</u>	<u>666,518</u>	<u>0</u>	<u>1,878,440</u>	<u>5,836,030</u>
<u>Fund Balance</u>					
Nonspendable	103,224	0	0	0	103,224
Restricted	0	460,148	0	10,028,987	10,489,135
Committed	245,921	0	0	818,043	1,063,964
Assigned	373,520	0	150,849	0	524,369
Unassigned (Deficit)	2,918,800	0	0	(200,059)	2,718,741
Total Fund Balance	<u>3,641,465</u>	<u>460,148</u>	<u>150,849</u>	<u>10,646,971</u>	<u>14,899,433</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$8,302,942</u>	<u>\$1,205,279</u>	<u>\$150,849</u>	<u>\$13,425,591</u>	<u>\$23,084,661</u>

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2013

Total Governmental Fund Balance \$14,899,433

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

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

Governmental Activities	48,812,091	
Internal Service Fund	<u>(41,054)</u>	48,771,037

Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 236,747

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	145,908	
Accrued Interest Receivable	50,421	
Due from Other Governments	837,929	
Municipal Income Taxes Receivable	1,437,738	
Other Local Taxes Receivable	140,376	
Delinquent Property Taxes Receivable	88,842	
Special Assessments Receivable	<u>812,852</u>	3,514,066

An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities. 3,894

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(28,595)	
General Obligation Bonds Payable	(11,540,000)	
OWDA Loans Payable	(17,312,204)	
Compensated Absences Payable	(1,577,068)	
Compensated Absences Payable - Internal Service Fund	14,165	
Capital Leases Payable	<u>(42,762)</u>	(30,486,464)

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. 38,224

Net Position of Governmental Activities \$36,976,937

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2013

	General	Playground and Recreation	Debt Service	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,476,641	\$574,494	\$0	\$246,212	\$2,297,347
Municipal Income Taxes	6,560,591	437,373	0	10,496,947	17,494,911
Other Local Taxes	2,269,076	0	0	177,159	2,446,235
Special Assessments	0	0	0	46,773	46,773
Charges for Services	1,659,274	902,626	0	163,065	2,724,965
Fees, Licenses, and Permits	25,146	0	0	2,956	28,102
Fines and Forfeitures	553,418	0	0	335,628	889,046
Intergovernmental	1,276,644	57,859	0	1,597,301	2,931,804
Interest	82,229	0	0	37,146	119,375
Other	211,991	133,145	477,223	453,394	1,275,753
Total Revenues	14,115,010	2,105,497	477,223	13,556,581	30,254,311
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	4,092,198	0	0	1,173,774	5,265,972
Fire	2,473,140	0	0	2,936,987	5,410,127
Ambulance	133,743	0	0	0	133,743
Public Health	65,460	0	0	10,855	76,315
Leisure Time Activities	561,706	2,047,692	0	2,884,407	5,493,805
Community Environment	562,275	0	0	278,052	840,327
Basic Utility Services	655,970	0	0	0	655,970
Transportation	2,129,428	0	0	1,911,874	4,041,302
General Government					
Court	1,284,619	0	0	204,198	1,488,817
Other	2,649,086	19,242	0	458,115	3,126,443
Capital Outlay	0	0	0	1,290,711	1,290,711
Debt Service					
Principal Retirement	60,000	0	7,180,000	1,928,654	9,168,654
Interest and Fiscal Charges	7,956	0	581,712	583,387	1,173,055
Total Expenditures	14,675,581	2,066,934	7,761,712	13,661,014	38,165,241
Excess of Revenues Over (Under) Expenditures	(560,571)	38,563	(7,284,489)	(104,433)	(7,910,930)
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	22,166	0	0	9,915	32,081
Bonds Issued	0	0	6,095,000	1,000,000	7,095,000
OWDA Loans Issued	0	0	0	48,128	48,128
Transfers In	62,906	0	1,262,854	878,599	2,204,359
Transfers Out	(40,397)	0	0	(2,163,962)	(2,204,359)
Total Other Financing Sources (Uses)	44,675	0	7,357,854	(227,320)	7,175,209
Change in Fund Balance	(515,896)	38,563	73,365	(331,753)	(735,721)
Fund Balance Beginning of Year	4,157,361	421,585	77,484	10,978,724	15,635,154
Fund Balance End of Year	\$3,641,465	\$460,148	\$150,849	\$10,646,971	\$14,899,433

See Accompanying Notes to the Basic Financial Statements

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, 2013

Change in Fund Balance - Total Governmental Funds (\$735,721)

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

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

Capital Outlay	1,832,945	
Capital Contributions - Internal Service Fund	21,369	
Depreciation	(3,266,900)	
Depreciation - Internal Service Fund	<u>9,860</u>	(1,402,726)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds and as non-operating revenue in the internal service fund. However, the cost of the capital asset is removed from the capital asset account on the statement of net position when disposed of resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(35,876)	
Proceeds from Sale of Capital Assets - Internal Service Fund	3,795	
Gain on Disposal of Capital Assets	<u>33,493</u>	1,412

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

Property Taxes	8,716	
Municipal Income Taxes	105,148	
Other Local Taxes	122,600	
Special Assessments	(42,596)	
Charges for Services	(51,957)	
Intergovernmental	(53,526)	
Fines and Forfeitures	875	
Interest	<u>(1,864)</u>	87,396

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	4,895,000	
General Obligation Bonds Payable	2,430,000	
OWDA Loans Payable	1,815,434	
Capital Leases Payable	<u>28,220</u>	9,168,654

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

General Obligation Bonds Issued	(7,095,000)	
OWDA Loans Issued	<u>(48,128)</u>	(7,143,128)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	19,014	
Amortization of Deferred Charge on Refunding	<u>(2,499)</u>	16,515

(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, 2013
 (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	(\$32,409)	
Compensated Absences Payable - Internal Service Fund	<u>(42,429)</u>	(74,838)
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.		26,990
The internal service fund used by management to charge the cost of engineering services to an external agency is reported on the statement of activities. The change for the external portion is reported for the year.		<u>3,333</u>
Change in Net Position of Governmental Activities		<u><u>(\$52,113)</u></u>
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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,486,155	\$1,496,290	\$1,476,641	(\$19,649)
Other Local Taxes	488,000	488,000	2,381,543	1,893,543
Charges for Services	1,887,250	1,887,250	1,810,193	(77,057)
Fees, Licenses, and Permits	17,850	17,850	25,146	7,296
Fines and Forfeitures	602,000	602,000	447,619	(154,381)
Intergovernmental	3,138,601	3,138,601	1,563,772	(1,574,829)
Interest	153,000	153,000	157,085	4,085
Other	26,000	40,142	146,468	106,326
Total Revenues	7,798,856	7,823,133	8,008,467	185,334
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	4,162,585	4,312,585	4,203,667	108,918
Fire	2,225,684	2,571,344	2,598,901	(27,557)
Ambulance	149,307	149,307	134,875	14,432
Public Health	70,756	70,756	66,140	4,616
Community Environment	653,935	653,935	636,046	17,889
Basic Utility Services	651,450	659,675	659,705	(30)
Transportation	2,316,641	2,315,916	2,253,345	62,571
General Government				
Court	1,389,420	1,389,420	1,307,271	82,149
Other	2,490,415	2,550,000	2,243,004	306,996
Total Expenditures	14,110,193	14,672,938	14,102,954	569,984
Excess of Revenues Under Expenditures	(6,311,337)	(6,849,805)	(6,094,487)	755,318
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	22,166	22,166
Bond Anticipation Notes Issued	0	200,000	200,000	0
Transfers In	6,162,147	6,162,147	6,162,147	0
Transfers Out	0	(130,397)	(130,397)	0
Total Other Financing Sources (Uses)	6,162,147	6,231,750	6,253,916	22,166
Change in Fund Balance	(149,190)	(618,055)	159,429	777,484
Fund Balance Beginning of Year	2,442,552	2,442,552	2,442,552	0
Prior Year Encumbrances Appropriated	184,791	184,791	184,791	0
Fund Balance End of Year	\$2,478,153	\$2,009,288	\$2,786,772	\$777,484

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$578,331	\$582,268	\$574,494	(\$7,774)
Municipal Income Taxes	413,213	413,213	428,220	15,007
Charges for Services	1,017,850	1,017,850	906,886	(110,964)
Intergovernmental	95,375	95,375	57,859	(37,516)
Other	103,725	103,725	75,195	(28,530)
Total Revenues	2,208,494	2,212,431	2,042,654	(169,777)
<u>Expenditures</u>				
Current:				
Leisure Time Activities	2,316,092	2,316,092	2,146,915	169,177
General Government				
Other	17,607	19,106	18,982	124
Total Expenditures	2,333,699	2,335,198	2,165,897	169,301
Change in Fund Balance	(125,205)	(122,767)	(123,243)	(476)
Fund Balance Beginning of Year	440,743	440,743	440,743	0
Prior Year Encumbrances Appropriated	80,464	80,464	80,464	0
Fund Balance End of Year	\$396,002	\$398,440	\$397,964	(\$476)

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	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	\$22,177,802	\$5,306,244	\$2,933,376	\$30,417,422	\$16,397
Cash and Cash Equivalents with Fiscal Agents	238,902	0	0	238,902	0
Accounts Receivable	4,912,330	533,534	422,751	5,868,615	371
Due from Other Governments	2,668	24	587	3,279	2,008
Other Local Taxes Receivable	136,249	0	0	136,249	0
Interfund Receivable	19,240	10,226	0	29,466	0
Prepaid Items	23,067	23,082	23,082	69,231	0
Materials and Supplies Inventory	1,022,000	119,523	0	1,141,523	0
Total Current Assets	28,532,258	5,992,633	3,379,796	37,904,687	18,776
<u>Non-Current Assets</u>					
Recovered Purchased Power Receivable	996,610	0	0	996,610	0
Nondepreciable Capital Assets	6,017,841	1,965,553	2,086,853	10,070,247	0
Depreciable Capital Assets, Net	15,088,859	41,896,903	45,887,832	102,873,594	41,054
Investment in Joint Venture	9,495,271	0	0	9,495,271	0
Total Non-Current Assets	31,598,581	43,862,456	47,974,685	123,435,722	41,054
Total Assets	60,130,839	49,855,089	51,354,481	161,340,409	59,830
<u>Deferred Outflows of Resources</u>					
Deferred Charge on Refunding	0	29,401	103,253	132,654	0
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	60,775	39,771	41,930	142,476	2,542
Accounts Payable	3,156,344	112,608	41,613	3,310,565	2,331
Contracts Payable	517,373	63,310	1,453	582,136	0
Due to Other Governments	63,631	35,923	39,072	138,626	2,568
Interfund Payable	137,433	6,191	16,122	159,746	0
Accrued Interest Payable	4,030	1,595	5,647	11,272	0
Notes Payable	2,635,000	0	0	2,635,000	0
General Obligation Bonds Payable	70,000	60,000	220,000	350,000	0
Compensated Absences Payable	157,938	98,285	105,642	361,865	6,478
AMP Ohio Payable	1,266,860	0	0	1,266,860	0
Total Current Liabilities	8,069,384	417,683	471,479	8,958,546	13,919
<u>Non-Current Liabilities</u>					
General Obligation Bonds Payable	140,000	650,000	2,290,000	3,080,000	0
Compensated Absences Payable	323,684	158,064	218,543	700,291	7,687
AMP Ohio Payable	3,747,158	0	0	3,747,158	0
Total Non-Current Liabilities	4,210,842	808,064	2,508,543	7,527,449	7,687
Total Liabilities	12,280,226	1,225,747	2,980,022	16,485,995	21,606
<u>Deferred Inflows of Resources</u>					
Recovered Purchased Power	2,412,958	0	0	2,412,958	0
<u>Net Position</u>					
Net Investment in Capital Assets	18,261,700	43,181,857	45,567,938	107,011,495	41,054
Unrestricted (Deficit)	27,175,955	5,476,886	2,909,774	35,562,615	(2,830)
Total Net Position	\$45,437,655	\$48,658,743	\$48,477,712	142,574,110	\$38,224
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.				(3,894)	
Net position of business-type activities				<u>\$142,570,216</u>	

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, 2013

	<u>Business-Type Activities</u>			Total Enterprise Funds	<u>Governmental Activity</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>		<u>Internal Service Fund</u>
<u>Operating Revenues</u>					
Charges for Services	\$45,848,266	\$4,218,674	\$3,361,528	\$53,428,468	\$342,350
Other	556,805	338,745	455,836	1,351,386	85
Total Operating Revenues	<u>46,405,071</u>	<u>4,557,419</u>	<u>3,817,364</u>	<u>54,779,854</u>	<u>342,435</u>
<u>Operating Expenses</u>					
Purchased Power	35,174,963	0	0	35,174,963	0
Plant Operation	0	2,112,074	1,629,372	3,741,446	0
Distribution Operation	5,945,187	684,565	861,047	7,490,799	0
Administrative and General	1,351,515	539,825	564,235	2,455,575	0
Information and Technology	165,170	55,482	55,482	276,134	0
Depreciation	1,224,539	1,260,319	1,494,754	3,979,612	9,860
Other	0	0	0	0	299,253
Total Operating Expenses	<u>43,861,374</u>	<u>4,652,265</u>	<u>4,604,890</u>	<u>53,118,529</u>	<u>309,113</u>
Operating Income (Loss)	<u>2,543,697</u>	<u>(94,846)</u>	<u>(787,526)</u>	<u>1,661,325</u>	<u>33,322</u>
<u>Non-Operating Revenues (Expenses)</u>					
Excise Taxes	1,761,550	0	0	1,761,550	0
Excise Taxes Expense	(1,761,550)	0	0	(1,761,550)	0
Interest Revenue	8,000	265	417	8,682	0
Interest Expense	(47,743)	(24,198)	(80,571)	(152,512)	0
Gain on Disposal of Capital Assets	0	0	0	0	1,412
Investment in Joint Venture	(656,465)	0	0	(656,465)	0
Total Non-Operating Revenues (Expenses)	<u>(696,208)</u>	<u>(23,933)</u>	<u>(80,154)</u>	<u>(800,295)</u>	<u>1,412</u>
Income (Loss) before Contributions	1,847,489	(118,779)	(867,680)	861,030	34,734
Capital Contributions	0	279,322	2,497,914	2,777,236	21,369
Change in Net Position	1,847,489	160,543	1,630,234	3,638,266	56,103
Net Position (Deficit) Beginning of Year	<u>43,590,166</u>	<u>48,498,200</u>	<u>46,847,478</u>		<u>(17,879)</u>
Net Position End of Year	<u>\$45,437,655</u>	<u>\$48,658,743</u>	<u>\$48,477,712</u>		<u>\$38,224</u>

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 income of the internal service fund.

2,999

Change in net position of business-type activities

\$3,641,265

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Business-Type Activities</u>			Total Enterprise Funds	<u>Governmental Activity</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>		<u>Internal Service Fund</u>
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$45,982,947	\$4,128,827	\$3,400,710	\$53,512,484	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	341,441
Cash Payments for Purchased Power	(39,123,294)	0	0	(39,123,294)	0
Cash Payments for Plant Operation	0	(2,082,201)	(1,654,801)	(3,737,002)	0
Cash Payments for Distribution Operation	(2,806,999)	(656,218)	(849,527)	(4,312,744)	0
Cash Payments for Administrative and General	(1,392,574)	(552,515)	(571,459)	(2,516,548)	0
Cash Payments for Information and Technology	(164,353)	(55,230)	(55,230)	(274,813)	0
Cash Received from Other Revenues	557,483	338,745	455,836	1,352,064	85
Cash Payments for Other Expenses	0	0	0	0	(377,024)
Net Cash Provided by (Used for) Operating Activities	<u>3,053,210</u>	<u>1,121,408</u>	<u>725,529</u>	<u>4,900,147</u>	<u>(35,498)</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Cash Received from Excise Taxes	1,761,550	0	0	1,761,550	0
Cash Payments for Excise Tax Distribution	(1,761,550)	0	0	(1,761,550)	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</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	(3,085,000)	0	0	(3,085,000)	0
Principal Paid on General Obligation Bonds	(295,000)	(310,000)	(1,100,000)	(1,705,000)	0
Interest Paid on Bond Anticipation Notes	(29,790)	0	0	(29,790)	0
Interest Paid on General Obligation Bonds	(15,089)	(24,155)	(80,153)	(119,397)	0
Bond Anticipation Notes Issued	5,562,399	0	0	5,562,399	0
General Obligation Bonds Issued	215,000	235,000	830,000	1,280,000	0
Acquisition of Capital Assets	(4,928,514)	(648,549)	(184,416)	(5,761,479)	0
Sale of Capital Assets	0	0	0	0	3,795
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,575,994)</u>	<u>(747,704)</u>	<u>(534,569)</u>	<u>(3,858,267)</u>	<u>3,795</u>
<u>Cash Flows from Investing Activities</u>					
Interest	8,000	265	417	8,682	0
Net Increase (Decrease) in Cash and Cash Equivalents	485,216	373,969	191,377	1,050,562	(31,703)
Cash and Cash Equivalents Beginning 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>
Cash and Cash Equivalents End of Year	<u>\$22,416,704</u>	<u>\$5,306,244</u>	<u>\$2,933,376</u>	<u>\$30,656,324</u>	<u>\$16,397</u>

(continued)

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013
(continued)

	<u>Business-Type Activities</u>			Total Enterprise Funds	<u>Governmental Activity</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>		<u>Internal Service Fund</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	\$2,543,697	(\$94,846)	(\$787,526)	\$1,661,325	\$33,322
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Depreciation	1,224,539	1,260,319	1,494,754	3,979,612	9,860
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(3,374)	(91,227)	38,002	(56,599)	(371)
(Increase) Decrease in Due from Other Governments	(818)	0	1,180	362	(2,008)
Increase in Other Local Taxes Receivable	(1,657)	0	0	(1,657)	0
Decrease in Interfund Receivable	64	1,380	0	1,444	1,470
Decrease in Prepaid Items	3,359	3,343	3,340	10,042	0
(Increase) Decrease in Materials and Supplies Inventory	3,773	(2,311)	0	1,462	0
Decrease in Recovered Purchased Power Receivable	903,640	0	0	903,640	0
Increase (Decrease) in Accrued Wages Payable	7,617	5,099	5,030	17,746	(3,522)
Increase (Decrease) in Accounts Payable	156,606	(9,005)	(29,211)	118,390	7
Increase (Decrease) in Contracts Payable	513,028	63,310	1,306	577,644	(24,547)
Decrease in Due to Other Governments	(47,219)	(18,603)	(17,730)	(83,552)	(7,280)
Increase (Decrease) in Interfund Payable	(147,107)	362	(256)	(147,001)	0
Increase (Decrease) in Compensated Absences Payable	12,229	3,587	16,640	32,456	(42,429)
Decrease in AMP-Ohio Payable	(2,254,654)	0	0	(2,254,654)	0
Increase in Recovered Purchased Power Payable	139,487	0	0	139,487	0
Net Cash Provided by (Used for) Operating Activities	<u>\$3,053,210</u>	<u>\$1,121,408</u>	<u>\$725,529</u>	<u>\$4,900,147</u>	<u>(\$35,498)</u>

Non-Cash Capital Financing Activities:

The Water and Sewer enterprise funds and the Engineering internal service fund received capital assets that were constructed in the City's governmental funds, in the amounts of \$279,322, \$2,497,914 and \$21,369, respectively.

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2013

<u>Assets</u>	
Cash and Cash Equivalents in Segregated Accounts	\$262,581
Special Assessments Receivable	<u>147,470</u>
Total Assets	<u><u>\$410,051</u></u>

<u>Liabilities</u>	
Undistributed Assets	<u><u>\$410,051</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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. There were no component units of the City of Bowling Green in 2013.

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 23, 24, and 25 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, 2013

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 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.

Debt Service Fund - The Debt Service Fund accounts for resources that are assigned for the payment of debt principal, interest, and debt related costs.

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.

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 2013. 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.

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 deferred charges on refundings. 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.

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, 2013, but which were levied to finance 2014 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 amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

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

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 2013, the City invested in nonnegotiable certificates of deposit, Ohio local government securities, federal agency securities, and mutual funds. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price or current share 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 2013 was \$82,229, which includes \$72,839 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, 2013 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, 2013

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	15-50 years	15-50 years
Equipment	1-20 years	1-20 years
Vehicles	3-10 years	3-10 years
Streets	15-40 years	N/A
Electric, Water, Sewer, and Storm Sewer Lines	N/A	15-50 years

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. 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 on 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.

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.

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.

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.

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 2013, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus". GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the City financial statements.

NOTE 4 - ACCOUNTABILITY

At December 31, 2013, the Aquatic Facility Capital Improvement capital projects fund had a deficit fund balance, in the amount of \$200,059, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	Change in Fund Balance	
	General	Playground and Recreation
GAAP Basis	(\$515,896)	\$38,563
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2012, Received in Cash 2013	1,575,242	38,503
Accrued 2013, Not Yet Received in Cash	(1,016,547)	(105,606)
Expenditure Accruals:		
Accrued 2012, Paid in Cash 2013	(1,005,555)	(85,238)
Accrued 2013, Not Yet Paid in Cash	828,355	78,613
Cash Adjustments:		
Unrecorded Activity 2012	62,321	5,063
Unrecorded Activity 2013	(25,093)	(803)
Prepaid Items	10,041	0
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses into Financial Statement Fund Types	(49,876)	0
Bond Anticipation Notes Issued	600,000	0
Encumbrances Outstanding at Year End (Budget Basis)	(303,563)	(92,338)
Budget Basis	\$159,429	(\$123,243)

NOTE 6 - 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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.

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, \$7,493,771 of the City's bank balance of \$34,390,749 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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, 2013, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Ohio Local Government Bond Anticipation Notes	\$1,003,950	6/25/14
Ohio Local Government Bond Anticipation Notes	502,125	8/14/14
Ohio Local Government Bond Anticipation Notes	503,305	11/7/14
Ohio Local Government Bonds	195,476	12/1/14
Ohio Local Government Bonds	496,110	11/1/15
Ohio Local Government Bonds	342,713	12/1/15
Federal Farm Credit Bank Notes	2,002,420	8/17/15
Federal Farm Credit Bank Notes	1,000,030	11/13/15
Federal Farm Credit Bank Notes	1,000,030	2/19/16
Federal Farm Credit Bank Notes	2,930,551	11/13/17
Federal Home Loan Bank Notes	1,500,555	1/29/16
Mutual Funds	19,336	43 Days
	<u>\$11,496,601</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 Ohio local government bond anticipation notes are rated MIG1 by Moody's and SP-1+ by Standard and Poor's. The bond anticipation notes for \$502,125 are not rated. The Ohio local government bonds carry a rating of AA1 by Moody's and a rating AA by Standard and Poor's. The Federal Farm Credit Bank notes, Federal Home Loan Bank notes, and mutual funds carry a rating of Aaa by Moody's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Ohio Local Government Bond Anticipation Notes and Bonds	\$3,043,679	26.47%
Federal Farm Credit Bank Notes	6,933,031	60.31
Federal Home Loan Bank Notes	1,500,555	13.05

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 7 - RECEIVABLES

Receivables at December 31, 2013, 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 \$351,306, will not be received within one year. Special assessments receivable, in the amount of \$392,118, will not be received within one year. At December 31, 2013, the amount of delinquent special assessments was \$19,021.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$75,369
DARE Grant	10,452
Charges for Services	84,379
Local Government	375,695
Estate Tax	22,307
Total General Fund	568,202
Playground and Recreation	
Homestead and Rollback	29,310
Total Major Funds	597,512
Nonmajor Funds	
Street Maintenance and Repair	
Gasoline Tax	299,273
Auto Registration	82,672
Motor Vehicle License Tax	22,849
Total Street Maintenance and Repair	404,794
State Highway	
Gasoline Tax	24,266
Auto Registration	6,703
Total State Highway	30,969
ODOT Transportation	
Rural Transit	11,421
Law Enforcement Drug	
Fines and Forfeitures	3,246
Indigent Drivers Alcohol	
Fines and Forfeitures	1,928
Enforcement and Education	
Fines and Forfeitures	373
Interlock and Alcohol Monitoring	
Fines and Forfeitures	1,503
	(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities	
Nonmajor Funds (continued)	
Municipal Court Special Projects	
Charges for Services	\$870
Fines and Forfeitures	10,025
Total Municipal Court Special Projects	10,895
Municipal Probation Services	
Charges for Services	6,473
Municipal Court Computerization	
Charges for Services	261
Aquatic Facility Capital Improvement	
Homestead and Rollback	12,562
Total Nonmajor Funds	484,425
Internal Service	
Charges for Services	2,008
Total Governmental Activities	\$1,083,945
 Business Type Activities	
Major Funds	
Electric	
Charges for Services	\$2,668
Water	
Charges for Services	24
Sewer	
Charges for Services	587
Total Business Type Activities	\$3,279

NOTE 8 - NOTES RECEIVABLE

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant and Home Investment Partnership Program. The notes have an annual interest rate of 2.145 to 3.333 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 2013 follows:

	Balance December 31, 2012	New Loans	Repayments	Balance December 31, 2013	Due Within One Year
Special Revenue Fund					
CDBG					
Revolving Loan Program	\$541,963	\$120,216	\$184,391	\$477,788	\$142,359
Home Program	54,718	0	3,501	51,217	35,340
Total Notes Receivable	\$596,681	\$120,216	\$187,892	\$529,005	\$177,699

NOTE 9 - 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.

NOTE 10 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of 2012 taxes. Public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2011, were levied after October 1, 2012, 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, 2013, and for which there was an enforceable legal claim. In the government funds, the portion of the receivable not levied to finance 2013 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 10 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2013, was \$5.60 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2013 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$272,704,320
Commercial/Industrial	178,348,160
Public Utility Real	16,800
Public Utility Personal	1,881,560
Total	\$452,950,840

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,778,179	\$525,433	\$0	\$4,303,612
Construction in Progress	9,949,678	2,967,165	(12,760,367)	156,476
Total Nondepreciable Capital Assets	13,727,857	3,492,598	(12,760,367)	4,460,088
Depreciable Capital Assets				
Land Improvements	2,202,336	4,352,202	0	6,554,538
Buildings	18,942,065	104,771	0	19,046,836
Equipment	2,486,989	204,229	(199,134)	2,492,084
Vehicles	8,026,270	457,290	(357,326)	8,126,234
Streets	54,405,009	6,003,591	(619,633)	59,788,967
Total Depreciable Capital Assets	86,062,669	11,122,083	(1,176,093)	96,008,659

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 11 - CAPITAL ASSETS (continued)

	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
Governmental Activities (continued):				
Less Accumulated Depreciation for				
Land Improvements	(\$1,164,206)	(\$402,922)	\$0	(\$1,567,128)
Buildings	(7,774,113)	(184,880)	0	(7,958,993)
Equipment	(1,790,390)	(190,307)	199,134	(1,781,563)
Vehicles	(5,615,908)	(560,487)	354,943	(5,821,452)
Streets	(33,218,849)	(1,928,304)	619,633	(34,527,520)
Total Accumulated Depreciation	<u>(49,563,466)</u>	<u>(3,266,900)</u>	<u>1,173,710</u>	<u>(51,656,656)</u>
Total Depreciable Capital Assets, Net	<u>36,499,203</u>	<u>7,855,183</u>	<u>(2,383)</u>	<u>44,352,003</u>
Governmental Activities Capital Assets, Net	<u>\$50,227,060</u>	<u>\$11,347,781</u>	<u>(\$12,762,750)</u>	<u>\$48,812,091</u>

During 2013, the internal service fund accepted a contribution of capital assets from governmental funds with a fair value of \$21,369.

	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$3,670,087	\$52,768	\$0	\$3,722,855
Construction in Progress	5,963,331	5,086,896	(4,702,835)	6,347,392
Total Nondepreciable Capital Assets	<u>9,633,418</u>	<u>5,139,664</u>	<u>(4,702,835)</u>	<u>10,070,247</u>
Depreciable Capital Assets				
Buildings	77,646,650	1,992,622	0	79,639,272
Equipment	2,344,409	43,984	0	2,388,393
Vehicles	5,268,694	38,944	(190,556)	5,117,082
Electric, Water, Sewer, and Storm Sewer Lines	98,532,507	6,026,336	0	104,558,843
Total Depreciable Capital Assets	<u>183,792,260</u>	<u>8,101,886</u>	<u>(190,556)</u>	<u>191,703,590</u>
Less Accumulated Depreciation for				
Buildings	(33,731,713)	(1,552,611)	0	(35,284,324)
Equipment	(2,225,794)	(46,288)	0	(2,272,082)
Vehicles	(4,460,167)	(274,827)	190,556	(4,544,438)
Electric, Water, Sewer, and Storm Sewer Lines	(44,623,266)	(2,105,886)	0	(46,729,152)
Total Accumulated Depreciation	<u>(85,040,940)</u>	<u>(3,979,612)</u>	<u>190,556</u>	<u>(88,829,996)</u>
Total Depreciable Capital Assets, Net	<u>98,751,320</u>	<u>4,122,274</u>	<u>0</u>	<u>102,873,594</u>
Business-Type Activities Capital Assets, Net	<u>\$108,384,738</u>	<u>\$9,261,938</u>	<u>(\$4,702,835)</u>	<u>\$112,943,841</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 11 - CAPITAL ASSETS (continued)

The Water and Sewer enterprise funds accepted contributions of capital assets from governmental activities with a fair value of \$279,322 and \$2,497,914, respectively.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	\$164,922
Security of Persons and Property-Fire	249,029
Security of Persons and Property-Ambulance	17,243
Public Health	1,295
Leisure Time Activities	298,838
Community Environment	8,254
Transportation	2,274,840
General Government-Court	158,080
General Government-Other	94,399
Total Depreciation Expense - Governmental Activities	<u><u>\$3,266,900</u></u>

NOTE 12 - INTERFUND BALANCES

Interfund balances at December 31, 2013, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Electric	<u><u>\$136,249</u></u>
Due to Other Governmental Funds from:	
Other Governmental	<u><u>\$275,000</u></u>
Due to Electric Fund from:	
Water	\$6,191
Sewer	13,049
Total Electric Fund	<u><u>\$19,240</u></u>
Due to Water Fund from:	
General	\$3,631
Playground and Recreation	223
Other Governmental	2,115
Electric	1,184
Sewer	3,073
Total Water Fund	<u><u>\$10,226</u></u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 12 - INTERFUND BALANCES (continued)

The balances due to the General, Other Governmental, Electric, and Water funds resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts, except the \$275,000 in other governmental funds, are expected to be received within one year.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 13 - RISK MANAGEMENT (continued)

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

For 2013, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing 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 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2013:

Vendor	Contract Amount	Amount Paid as of 12/31/13	Outstanding Balance
D.L. Smith Concrete and Design	\$95,679	\$0	\$95,679
Iseler Demolition, Inc.	88,900	0	88,900
Landmark Structures	1,500,000	0	1,500,000
Municipal Services Agency	6,155,000	4,097,775	2,057,225
Poggemeyer Design Group, Inc.	299,450	162,329	137,121
Reiss Engineering, Inc.	1,325,710	1,114,846	210,864
State of Ohio	55,170	0	55,170

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS (continued)

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2014 are as follows:

Other Governmental Funds	\$2,083,827
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NOTE 15 - 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, 2013, members in state and local classifications contributed 10 percent of covered payroll. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 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 both the traditional and combined plans was 1 percent for 2013. Effective January 1, 2014, the portion of the employer contribution allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 was \$1,352,262, \$1,041,020, and \$1,036,895, respectively. For 2013, 97 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the member-directed plan for 2013 were \$24,159 made by the City and \$17,256 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were 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 January 1, 2013, through May 31, 2013, the portion of the City's contribution used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, through December 31, 2013, the portion of the City's contribution used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$596,412 and \$762,008 for the year ended December 31, 2013, \$367,942 and \$591,881 for the year ended December 31, 2012, and \$380,544 and \$613,607 for the year ended December 31, 2011. For 2013, 97 percent had been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

NOTE 16 - 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.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by 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 2013, 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 both the traditional and combined plans was 1 percent for 2013. Effective January 1, 2014, the portion of the employer contribution allocated to health care was raised to 2 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, 2013, 2012, and 2011 was \$105,879, \$425,726, and \$424,067, respectively. For 2013, 97 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

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.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

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 benefit 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.

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 writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at www.op-f.org.

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 January 1, 2013, through May 31, 2013, the employer contribution allocated to the health care plan 4.69 percent of covered payroll. For June 1, 2013, through December 31, 2013, the employer contribution allocated to the health care plan 2.85 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$135,804 and \$135,205 for the year ended December 31, 2013, \$194,793 and \$231,606 for the year ended December 31, 2012, and \$201,464 and \$240,107 for the year ended December 31, 2011. For 2013, 97 percent had been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

NOTE 17 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn vacation at varying rates depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with supervisory approval. Employees are paid for 100 percent of earned unused vacation leave upon termination. Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit, except for certain firefighters hired on or after May 1, 2011, who will accumulate sick leave to a maximum of two hundred forty hours. 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.

NOTE 18 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2013, were as follows:

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
<u>Governmental Activities</u>					
2012 Street Improvement Notes	1.00%	\$955,000	\$0	\$955,000	\$0
2013 Real Estate Acquisition Notes	1.00	0	600,000	0	600,000
Total Governmental Activities		<u>\$955,000</u>	<u>\$600,000</u>	<u>\$955,000</u>	<u>\$600,000</u>
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Electric					
2012 Electric System Improvements	1.125%	\$157,601	\$0	\$157,601	\$0
2013 Electric System Improvements	1.125	0	5,562,399	2,927,399	2,635,000
Total Business-Type Activities		<u>\$157,601</u>	<u>\$5,562,399</u>	<u>\$3,085,000</u>	<u>\$2,635,000</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 - NOTES PAYABLE (continued)

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

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.

On November 7, 2013, the City issued \$600,000 in bond anticipation notes to acquire land. The notes have an interest rate of 1 percent and mature on November 7, 2014.

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 matured on November 20, 2013.

During 2013, the City issued electric system improvement bond anticipation notes, in the amount of \$5,562,399, to retire notes previously issued and for additional resources to pay the costs of improving the City's electric system by constructing a new substation. The notes were issued on November 20, 2013, and mature on November 19, 2014.

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2013, was as follows:

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Due Within One Year
<u>Governmental Activities</u>						
Bond Anticipation Notes						
2012 Street Improvement Notes	1.00%	\$1,795,000	\$0	\$1,795,000	\$0	\$0
2012 Recreational Facilities Improvement Notes	.75	3,100,000		3,100,000	0	0
Total Bond Anticipation Notes		4,895,000	0	4,895,000	0	0
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$11,745,000)	3 - 5	2,855,000	0	1,915,000	940,000	155,000
2006 Park and Recreation (Original Issue - \$480,000)	4.42	180,000	0	60,000	120,000	60,000
2012 Refunding Various Purpose Improvement (Original Issue - \$3,850,000)	.75 - 3	3,840,000	0	40,000	3,800,000	40,000
2013 Refunding Various Purpose Improvement (Original Issue - \$7,095,000)	1.5 - 4	0	7,095,000	415,000	6,680,000	720,000
Total General Obligation Bonds		6,875,000	7,095,000	2,430,000	11,540,000	975,000

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Governmental Activities (continued)						
Ohio Water Development Authority Loans						
1994 Second Water Transmission Main (Original Issue - \$3,644,348)	5.77%	\$1,833,096	\$0	\$219,932	\$1,613,164	\$116,311
1999 Granular Activated Carbon System (Original Issue - \$2,880,752)	5.50	638,198	0	310,445	327,753	161,653
2002 Clearwell and High Service Pump (Original Issue - \$3,217,619)	3.95	1,719,269	0	285,726	1,433,543	147,109
2004 Wastewater Treatment Plant and Solids Handling Improvements	1.76	3,137,883	0	399,609	2,738,274	0
2008 Intake and Pump Station (Original Issue - \$4,107,626)	3.52	3,658,579	0	160,436	3,498,143	82,342
2009 WWTP Tertiary Filtration (Original Issue - \$2,541,205)	4.14	2,232,500	0	96,644	2,135,856	49,828
2009 Microfiltration/Low Pressure Reverse Osmosis	0.00	3,838,193	0	240,676	3,597,517	0
2010 WWTP Ultraviolet Disinfection Project	0.00	817,796	0	52,812	764,984	0
2012 Poe and Mercer Roads Pump Station Upgrades	3.08	1,203,996	0	49,154	1,154,842	0
2013 Manville Tower Replacement	2.59	0	48,128	0	48,128	0
Total Ohio Water Development Authority Loans		19,079,510	48,128	1,815,434	17,312,204	557,243
Other Long-Term Obligations						
Compensated Absences Payable		1,544,659	110,735	78,326	1,577,068	762,833
Capital Leases Payable		70,982	0	28,220	42,762	42,762
Total Other Long-Term Obligations		1,615,641	110,735	106,546	1,619,830	805,595
Total Governmental Activities		\$32,465,151	\$7,253,863	\$9,246,980	\$30,472,034	\$2,337,838
Business-Type Activities						
General Obligation Bonds						
2004 Various Purpose Improvement (Original Issue - \$6,215,000)	3 - 5%	\$1,660,000	\$0	\$1,660,000	\$0	\$0
2012 Refunding Various Purpose Improvement (Original Issue - \$2,195,000)	.75 - 3	2,195,000	0	25,000	2,170,000	25,000
2013 Refunding Various Purpose Improvement (Original Issue - \$1,280,000)	1.5 - 4	0	1,280,000	20,000	1,260,000	325,000
Total General Obligation Bonds		3,855,000	1,280,000	1,705,000	3,430,000	350,000
Other Long-Term Obligations						
Compensated Absences Payable		1,029,700	34,051	1,595	1,062,156	361,865
AMP Ohio Payable - JV 2		3,659,599	0	778,544	2,881,055	693,342
AMP Ohio Payable - JV 6		1,708,823	0	572,470	1,136,353	573,518
AMP Ohio Payable		1,900,250	0	903,640	996,610	0
Total Other Long-Term Obligations		8,298,372	34,051	2,256,249	6,076,174	1,628,725
Total Business-Type Activities		\$12,153,372	\$1,314,051	\$3,961,249	\$9,506,174	\$1,978,725

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

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.

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 matured on March 14, 2013.

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 and 2013, 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 General Obligation 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, 2013

NOTE 19 - 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.

At December 31, 2013, none of the refunded debt was still outstanding.

2013 Refunding Various Purpose Improvement General Obligation Bonds - On March 6, 2013, the City issued \$8,375,000 in unvoted general obligation bonds to currently refund bonds previously issued in 2004 (\$2,525,000), to retire notes previously issued (\$4,850,000, the City also paid principal, in the amount of \$1,000,000), and for improvements to the municipal swimming pool and related recreational facilities (\$1,000,000). The bonds were issued for a twenty year period with maturity beginning December 1, 2013. The interest rate of the bonds ranges from 1.5 to 4 percent over the remaining life of the bonds. The bonds will be paid from the Debt Service Fund, and the Water, Sewer, and Electric enterprise funds.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on 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	\$180,000
2028	\$190,000

The bonds maturing on December 1, 2030, 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>
2029	\$195,000
2030	\$200,000

The bonds maturing and on December 1, 2032, 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>
2031	\$205,000
2032	\$210,000

The bonds are subject to prior redemption on or after December 1, 2019, 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.

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 \$11,394,673. Principal and interest paid in the Sewer and Water Capital Improvement capital projects fund for the current year were \$1,815,434 and \$558,877, respectively. Total revenue for the Sewer and Water Capital Improvement capital projects fund was \$4,437,285.

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

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 \$2,975,734 payable through 2017 for JV2 and \$1,142,645 payable through 2015 for JV6. Principal and interest paid for the current year were \$778,544 for JV2 and \$572,470 for JV6. Total net revenues for the Electric enterprise fund were \$3,768,236.

AMP Ohio Payable - The City of Bowling Green is a member of American Municipal Power (AMP) and a participant in the American Municipal Power Generating Station Project (AMPGS). This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. 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 AMPGS project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. As a result of a March 31, 2014, legal ruling, the AMP Board of Trustees on April 15, 2014, and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The City's estimated share of the impaired costs at March 31, 2014, is \$3,625,332. The City received a credit of \$949,722 related to the AMPGS costs deemed to have future benefit for the project participants, and have made payments of \$1,679,000 leaving a net impaired cost estimate of \$996,610. The City is reporting a payable to AMP in its business-type activities and in its Electric enterprise fund for these impaired costs. AMP financed these costs in its revolving line of credit. Any additional costs (including line of credit interest and legal fees) or amounts received related to the project may result in a future liability to the City. These amounts will be recorded as they become estimable.

The City is paying its liability to AMP by making monthly payments over a fourteen year period. The liability should be paid in full during 2028.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

The City's legal debt margin was \$35,570,687 at December 31, 2013.

The Waste Water Treatment Plant and Solids Handling Improvements, the Microfiltration/Low Pressure Reverse Osmosis, the WWTP Ultraviolet Disinfection, the Poe and Mercer Roads Pump Station Upgrades, and the Manville Tower Replacement 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, 2013, were as follows:

Year	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2014	\$975,000	\$332,561	\$557,243	\$189,644
2015	955,000	294,608	980,253	342,858
2016	895,000	256,657	850,351	302,093
2017	915,000	221,456	888,220	264,221
2018	920,000	184,657	927,842	224,601
2019 to 2023	4,020,000	625,282	2,155,034	713,011
2024 to 2028	2,050,000	280,550	2,050,154	329,339
2029 to 2032	810,000	60,012	599,362	20,447
Total	\$11,540,000	\$2,255,783	\$9,008,459	\$2,386,214

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013, from the enterprise funds were as follows:

Year	General Obligation Bonds		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2014	\$350,000	\$95,301	\$1,266,860	\$40,897
2015	350,000	82,112	1,265,070	30,402
2016	350,000	68,513	711,241	19,051
2017	295,000	54,912	774,237	10,621
2018	330,000	43,513	0	0
2019 to 2023	1,755,000	114,774	0	0
Total	\$3,430,000	\$459,125	\$4,017,408	\$100,971

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 - 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, 2013
Multi-Family Housing Revenue Bonds			
Bowling Green Village Series 2001 A	6/1/2001	\$3,320,000	\$2,820,000
Student Housing	6/16/2010	\$81,610,000	\$80,810,000
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 20 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for vehicles. Principal payments in 2013 were \$28,220 in governmental funds.

	Governmental Activities
Vehicles	\$179,604
Less Accumulated Depreciation	(82,318)
Carrying Value, December 31, 2013	\$97,286

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, 2013.

	Business-Type Activities	
Year	Principal	Interest
2014	\$42,762	\$2,138

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 21 - 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	Debt Service	Other Governmental Funds
Nonspendable for:				
Prepaid Items	\$69,232	\$0	\$0	\$0
Unclaimed Monies	33,992	0	0	0
Total Nonspendable	<u>103,224</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted for:				
Capital Improvements	0	0	0	5,809,559
Cemetery Operations and Maintenance	0	0	0	26,726
Community Development	0	0	0	802,799
Court Operations	0	0	0	328,019
Debt Retirement	0	0	0	90,488
Playground and Recreation	0	460,148	0	0
Police and Fire Operations	0	0	0	2,037,393
Public Transit	0	0	0	17,120
Street Construction and Maintenance	0	0	0	916,883
Total Restricted	<u>0</u>	<u>460,148</u>	<u>0</u>	<u>10,028,987</u>
Committed to:				
Equipment Replacement	0	0	0	200,363
Facility Replacement	0	0	0	400,000
Parking Enforcement and Maintenance	245,921	0	0	42,680
Roadway Replacement	0	0	0	175,000
Total Committed	<u>245,921</u>	<u>0</u>	<u>0</u>	<u>818,043</u>
Assigned for:				
Debt Retirement	0	0	150,849	0
Payroll Stabilization	100,000	0	0	0
Unpaid Obligations	273,520	0	0	0
Total Assigned	<u>373,520</u>	<u>0</u>	<u>150,849</u>	<u>0</u>
Unassigned (Deficit)	2,918,800	0	0	(200,059)
Total Fund Balance	<u>\$3,641,465</u>	<u>\$460,148</u>	<u>\$150,849</u>	<u>\$10,646,971</u>

NOTE 22 - INTERFUND TRANSFERS

During 2013, the General Fund made transfers, in the amount of \$40,397 to other governmental funds for transit operations. Other governmental funds made transfers to the General Fund, in the amount of \$62,906, to fund equipment capital maintenance; to the Debt Service fund, in the amount of \$1,262,854, as debt payments came due; and to other governmental funds, in the amount of \$838,202, \$54,000 for transit operations and \$784,202 to fund equipment capital maintenance.

NOTE 23 - 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, 2013. 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 24 - 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.

NOTE 24 - 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, 2013, 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, 2013, was \$2,881,055 (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 \$3,262,813 at December 31, 2013. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

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 24 - 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, 2013, 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, 2013. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

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

The City is a participant, with nine 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.

NOTE 24 - 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, 2013, 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, 2013, was \$1,136,353.

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 \$4,695,328 at December 31, 2013. Complete financial statements for JV6 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

NOTE 25 - 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, 2013

NOTE 26 - CONTINGENT LIABILITIES

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

For the period January 1, 2013, to December 31, 2013, 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.

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Comparative Enterprise Fund Financial Statements

City of Bowling Green
Comparative Statement of Fund Net Position
Enterprise Funds
December 31, 2013, and 2012

	Electric		Water	
	2013	2012	2013	2012
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$22,177,802	\$20,013,586	\$5,306,244	\$4,932,275
Cash and Cash Equivalents with Fiscal Agents	238,902	1,917,902	0	0
Accounts Receivable	4,912,330	4,908,956	533,534	442,307
Due from Other Governments	2,668	1,850	24	24
Other Local Taxes Receivable	136,249	134,592	0	0
Interfund Receivable	19,240	19,304	10,226	11,606
Prepaid Items	23,067	26,426	23,082	26,425
Materials and Supplies Inventory	1,022,000	1,025,773	119,523	117,212
Total Current Assets	28,532,258	28,048,389	5,992,633	5,529,849
<u>Non-Current Assets</u>				
Recovered Purchased Power Receivable	996,610	1,900,250	0	0
Nondepreciable Capital Assets	6,017,841	3,034,437	1,965,553	3,125,992
Depreciable Capital Assets, Net	15,088,859	14,368,288	41,896,903	41,068,912
Investment in Joint Venture	9,495,271	10,151,736	0	0
Total Non-Current Assets	31,598,581	29,454,711	43,862,456	44,194,904
Total Assets	60,130,839	57,503,100	49,855,089	49,724,753
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding	0	0	29,401	29,707
<u>Current Liabilities</u>				
Accrued Wages Payable	60,775	53,158	39,771	34,672
Accounts Payable	3,156,344	2,999,738	112,608	121,613
Contracts Payable	517,373	4,345	63,310	0
Due to Other Governments	63,631	110,850	35,923	54,526
Interfund Payable	137,433	284,540	6,191	5,829
Accrued Interest Payable	4,030	1,166	1,595	1,858
Notes Payable	2,635,000	157,601	0	0
General Obligation Bonds Payable	70,000	70,000	60,000	60,000
Compensated Absences Payable	157,938	148,572	98,285	86,738
AMP Ohio Payable	1,266,860	1,064,931	0	0
Total Current Liabilities	8,069,384	4,894,901	417,683	365,236
<u>Non-Current Liabilities</u>				
General Obligation Bonds Payable	140,000	220,000	650,000	725,000
Compensated Absences Payable	323,684	320,821	158,064	166,024
AMP Ohio Payable	3,747,158	6,203,741	0	0
Total Non-Current Liabilities	4,210,842	6,744,562	808,064	891,024
Total Liabilities	12,280,226	11,639,463	1,225,747	1,256,260
<u>Deferred Inflows of Resources</u>				
Recovered Purchased Power	2,412,958	2,273,471	0	0
<u>Net Position</u>				
Net Investment in Capital Assets	18,261,700	16,955,124	43,181,857	43,439,611
Unrestricted	27,175,955	26,635,042	5,476,886	5,058,589
Total Net Position	\$45,437,655	\$43,590,166	\$48,658,743	\$48,498,200

Sewer		Totals	
2013	2012	2013	2012
\$2,933,376	\$2,741,999	\$30,417,422	\$27,687,860
0	0	238,902	1,917,902
422,751	460,753	5,868,615	5,812,016
587	1,767	3,279	3,641
0	0	136,249	134,592
0	0	29,466	30,910
23,082	26,422	69,231	79,273
0	0	1,141,523	1,142,985
<u>3,379,796</u>	<u>3,230,941</u>	<u>37,904,687</u>	<u>36,809,179</u>
0	0	996,610	1,900,250
2,086,853	3,472,989	10,070,247	9,633,418
45,887,832	43,314,120	102,873,594	98,751,320
0	0	9,495,271	10,151,736
<u>47,974,685</u>	<u>46,787,109</u>	<u>123,435,722</u>	<u>120,436,724</u>
<u>51,354,481</u>	<u>50,018,050</u>	<u>161,340,409</u>	<u>157,245,903</u>
<u>103,253</u>	<u>104,612</u>	<u>132,654</u>	<u>134,319</u>
41,930	36,900	142,476	124,730
41,613	70,824	3,310,565	3,192,175
1,453	147	582,136	4,492
39,072	56,802	138,626	222,178
16,122	16,378	159,746	306,747
5,647	6,588	11,272	9,612
0	0	2,635,000	157,601
220,000	220,000	350,000	350,000
105,642	98,327	361,865	333,637
0	0	1,266,860	1,064,931
<u>471,479</u>	<u>505,966</u>	<u>8,958,546</u>	<u>5,766,103</u>
2,290,000	2,560,000	3,080,000	3,505,000
218,543	209,218	700,291	696,063
0	0	3,747,158	6,203,741
<u>2,508,543</u>	<u>2,769,218</u>	<u>7,527,449</u>	<u>10,404,804</u>
<u>2,980,022</u>	<u>3,275,184</u>	<u>16,485,995</u>	<u>16,170,907</u>
<u>0</u>	<u>0</u>	<u>2,412,958</u>	<u>2,273,471</u>
45,567,938	44,111,721	107,011,495	104,506,456
2,909,774	2,735,757	35,562,615	34,429,388
<u>\$48,477,712</u>	<u>\$46,847,478</u>	<u>\$142,574,110</u>	<u>\$138,935,844</u>

City of Bowling Green
Comparative Statement of Revenues, Expenses, and Change in Fund Net Position
Enterprise Funds
For the Years Ended December 31, 2013, and 2012

	Electric		Water	
	2013	2012	2013	2012
<u>Operating Revenues</u>				
Charges for Services	\$45,848,266	\$40,049,785	\$4,218,674	\$4,279,511
Other	556,805	577,348	338,745	90,252
Total Operating Revenues	<u>46,405,071</u>	<u>40,627,133</u>	<u>4,557,419</u>	<u>4,369,763</u>
<u>Operating Expenses</u>				
Purchased Power	35,174,963	30,992,824	0	0
Plant Operation	0	0	2,112,074	1,970,994
Distribution Operation	5,945,187	3,580,586	684,565	967,586
Administrative and General	1,351,515	1,280,420	539,825	548,868
Information and Technology	165,170	162,097	55,482	53,504
Depreciation	1,224,539	1,211,400	1,260,319	1,087,513
Total Operating Expenses	<u>43,861,374</u>	<u>37,227,327</u>	<u>4,652,265</u>	<u>4,628,465</u>
Operating Income (Loss)	<u>2,543,697</u>	<u>3,399,806</u>	<u>(94,846)</u>	<u>(258,702)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Excise Taxes	1,761,550	1,685,868	0	0
Excise Taxes Expense	(1,761,550)	(1,685,868)	0	0
Interest Revenue	8,000	0	265	350
Interest Expense	(47,743)	(60,546)	(24,198)	(42,298)
Grants	0	302,517	0	0
Gain on Disposal of Capital Assets	0	0	0	31,555
Investment in Joint Venture	(656,465)	(592,827)	0	0
Total Non-Operating Revenues (Expenses)	<u>(696,208)</u>	<u>(350,856)</u>	<u>(23,933)</u>	<u>(10,393)</u>
Income (Loss) Before Contributions	1,847,489	3,048,950	(118,779)	(269,095)
Capital Contributions	<u>0</u>	<u>4,038</u>	<u>279,322</u>	<u>1,760,093</u>
Change in Net Position	1,847,489	3,052,988	160,543	1,490,998
Net Position Beginning of Year	<u>43,590,166</u>	<u>40,537,178</u>	<u>48,498,200</u>	<u>47,007,202</u>
Net Position End of Year	<u>\$45,437,655</u>	<u>\$43,590,166</u>	<u>\$48,658,743</u>	<u>\$48,498,200</u>

Sewer		Totals	
2013	2012	2013	2012
\$3,361,528	\$3,519,029	\$53,428,468	\$47,848,325
455,836	359,474	1,351,386	1,027,074
<u>3,817,364</u>	<u>3,878,503</u>	<u>54,779,854</u>	<u>48,875,399</u>
0	0	35,174,963	30,992,824
1,629,372	1,726,443	3,741,446	3,697,437
861,047	790,774	7,490,799	5,338,946
564,235	628,339	2,455,575	2,457,627
55,482	53,510	276,134	269,111
1,494,754	1,412,277	3,979,612	3,711,190
<u>4,604,890</u>	<u>4,611,343</u>	<u>53,118,529</u>	<u>46,467,135</u>
<u>(787,526)</u>	<u>(732,840)</u>	<u>1,661,325</u>	<u>2,408,264</u>
0	0	1,761,550	1,685,868
0	0	(1,761,550)	(1,685,868)
417	540	8,682	890
(80,571)	(151,149)	(152,512)	(253,993)
0	0	0	302,517
0	208,737	0	240,292
0	0	(656,465)	(592,827)
<u>(80,154)</u>	<u>58,128</u>	<u>(800,295)</u>	<u>(303,121)</u>
(867,680)	(674,712)	861,030	2,105,143
<u>2,497,914</u>	<u>1,792,678</u>	<u>2,777,236</u>	<u>3,556,809</u>
1,630,234	1,117,966	3,638,266	5,661,952
<u>46,847,478</u>	<u>45,729,512</u>	<u>138,935,844</u>	<u>133,273,892</u>
<u>\$48,477,712</u>	<u>\$46,847,478</u>	<u>\$142,574,110</u>	<u>\$138,935,844</u>

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2013, and 2012

	Electric		Water	
	2013	2012	2013	2012
<u>Increases (Decreases) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$45,982,947	\$42,238,710	\$4,128,827	\$4,253,420
Cash Payments for Purchased Power	(39,123,294)	(31,948,370)	0	0
Cash Payments for Plant Operation	0	0	(2,082,201)	(1,931,207)
Cash Payments for Distribution Operation	(2,806,999)	(3,164,971)	(656,218)	(927,605)
Cash Payments for Administrative and General	(1,392,574)	(1,228,370)	(552,515)	(533,168)
Cash Payments for Information and Technology	(164,353)	(160,401)	(55,230)	(53,172)
Cash Received from Other Revenues	557,483	558,828	338,745	90,252
Net Cash Provided by Operating Activities	<u>3,053,210</u>	<u>6,295,426</u>	<u>1,121,408</u>	<u>898,520</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Cash Received from Excise Taxes	1,761,550	1,685,868	0	0
Cash Payments for Excise Tax Distribution	(1,761,550)	(1,685,868)	0	0
Grants	0	302,517	0	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>302,517</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Bond Anticipation Notes	(3,085,000)	(985,000)	0	0
Principal Paid on General Obligation Bonds	(295,000)	(65,000)	(310,000)	(55,000)
Interest Paid on Bond Anticipation Notes	(29,790)	(46,421)	0	0
Interest Paid on General Obligation Bonds	(15,089)	(14,038)	(24,155)	(40,169)
Payment to Refunded Bond Escrow Agent	0	0	0	(479,707)
Bond Anticipation Notes Issued	5,562,399	157,601	0	0
General Obligation Bonds Issued	215,000	0	235,000	485,000
Acquisition of Capital Assets	(4,928,514)	(441,996)	(648,549)	(83,318)
Sale of Capital Assets	0	0	0	31,555
Net Cash Used for Capital and Related Financing Activities	<u>(2,575,994)</u>	<u>(1,394,854)</u>	<u>(747,704)</u>	<u>(141,639)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	8,000	0	265	350
Net Increase in Cash and Cash Equivalents	485,216	5,203,089	373,969	757,231
Cash and Cash Equivalents Beginning of Year	<u>21,931,488</u>	<u>16,728,399</u>	<u>4,932,275</u>	<u>4,175,044</u>
Cash and Cash Equivalents End of Year	<u>\$22,416,704</u>	<u>\$21,931,488</u>	<u>\$5,306,244</u>	<u>\$4,932,275</u>

Sewer		Totals	
2013	2012	2013	2012
\$3,400,710	\$3,517,686	\$53,512,484	\$50,009,816
0	0	(39,123,294)	(31,948,370)
(1,654,801)	(1,678,892)	(3,737,002)	(3,610,099)
(849,527)	(760,658)	(4,312,744)	(4,853,234)
(571,459)	(542,044)	(2,516,548)	(2,303,582)
(55,230)	(53,172)	(274,813)	(266,745)
455,836	359,474	1,352,064	1,008,554
725,529	842,394	4,900,147	8,036,340
0	0	1,761,550	1,685,868
0	0	(1,761,550)	(1,685,868)
0	0	0	302,517
0	0	0	302,517
0	0	(3,085,000)	(985,000)
(1,100,000)	(190,000)	(1,705,000)	(310,000)
0	0	(29,790)	(46,421)
(80,153)	(143,605)	(119,397)	(197,812)
0	(1,689,612)	0	(2,169,319)
0	0	5,562,399	157,601
830,000	1,710,000	1,280,000	2,195,000
(184,416)	(588,996)	(5,761,479)	(1,114,310)
0	243,135	0	274,690
(534,569)	(659,078)	(3,858,267)	(2,195,571)
417	540	8,682	890
191,377	183,856	1,050,562	6,144,176
2,741,999	2,558,143	29,605,762	23,461,586
<u>\$2,933,376</u>	<u>\$2,741,999</u>	<u>\$30,656,324</u>	<u>\$29,605,762</u>

(continued)

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2013, and 2012
(continued)

	Electric		Water	
	2013	2012	2013	2012
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$2,543,697	\$3,399,806	(\$94,846)	(\$258,702)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Depreciation	1,224,539	1,211,400	1,260,319	1,087,513
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(3,374)	(92,313)	(91,227)	(22,311)
(Increase) Decrease in Due from Other Governments	(818)	3,350	0	72
Increase in Other Local Taxes Receivable	(1,657)	(7,446)	0	0
(Increase) Decrease in Interfund Receivable	64	(100)	1,380	(3,860)
(Increase) Decrease in Prepaid Items	3,359	(3,667)	3,343	(3,667)
(Increase) Decrease in Materials and Supplies Inventory	3,773	(3,501)	(2,311)	24,124
(Increase) Decrease in Recovered Purchased Power Receivable	903,640	(95,500)	0	0
Increase in Accrued Wages Payable	7,617	8,262	5,099	8,465
Increase (Decrease) in Accounts Payable	156,606	587,025	(9,005)	45,281
Increase (Decrease) in Contracts Payable	513,028	(28,369)	63,310	(366)
Increase in Recovered Purchased Power Payable	139,487	2,273,471	0	0
Increase (Decrease) in Due to Other Governments	(47,219)	10,463	(18,603)	3,676
Increase (Decrease) in Interfund Payable	(147,107)	161,372	362	(283)
Increase (Decrease) in Compensated Absences Payable	12,229	(28,920)	3,587	18,578
Decrease in AMP-Ohio Payable	(2,254,654)	(1,099,907)	0	0
Net Cash Provided by Operating Activities	<u>\$3,053,210</u>	<u>\$6,295,426</u>	<u>\$1,121,408</u>	<u>\$898,520</u>

Sewer		Totals	
2013	2012	2013	2012
(\$787,526)	(\$732,840)	\$1,661,325	\$2,408,264
1,494,754	1,412,277	3,979,612	3,711,190
38,002	(32,143)	(56,599)	(146,767)
1,180	546	362	3,968
0	0	(1,657)	(7,446)
0	30,251	1,444	26,291
3,340	(3,664)	10,042	(10,998)
0	102,576	1,462	123,199
0	0	903,640	(95,500)
5,030	8,104	17,746	24,831
(29,211)	(5,713)	118,390	626,593
1,306	147	577,644	(28,588)
0	0	139,487	2,273,471
(17,730)	3,688	(83,552)	17,827
(256)	(2,371)	(147,001)	158,718
16,640	61,536	32,456	51,194
0	0	(2,254,654)	(1,099,907)
<u>\$725,529</u>	<u>\$842,394</u>	<u>\$4,900,147</u>	<u>\$8,036,340</u>

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

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	\$266,111
CDBG Revolving Loans	N/A	14.218	<u>120,624</u>
Total Community Development Block Grant/Entitlement Grants Cluster			<u>386,735</u>
<i>Passed through Ohio Development Services Agency</i>			
Home Investment Partnerships Program Revolving Loans	N/A	14.239	<u>65,178</u>
Total U.S. Department of Housing and Urban Development			<u>451,913</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Formula Grants for Other than Urbanized Areas			
	RPT-0087-032-122	20.509	2,878
	RPT-0087-033-132	20.509	6,371
	RPT-4087-031-131	20.509	233,532
	RPT-4087-032-121	20.509	<u>18,298</u>
Total Formula Grants for Other than Urbanized Areas			<u>261,079</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through Ohio Criminal Justice Services			
Edward Byrne Memorial Justice Assistance Grant Program	2012-JG-LLE-5910	16.738	8,626
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government, Recovery Act	2009-RA-LSS-2448	16.804	<u>8,085</u>
Total U.S. Department of Justice			<u>16,711</u>
EXECUTIVE OFFICE OF THE PRESIDENT			
Passed Through the City of Shaker Heights, Ohio			
High Intensity Drug Trafficking Area (HIDTA) Program		95.001	<u>1,971</u>
Total Federal Awards Expenditures			<u>\$731,674</u>

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

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

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	\$4,660

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, 2013, the gross amounts of loans outstanding under this program were \$477,778.

Activity in the CDBG revolving loan fund during 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$541,963
Loans issued:	120,000
Loan principal repaid:	(184,175)
Ending Loans receivable balance as of December 31, 2013	<u>\$477,788</u>
Program Expenditures:	
Loans Issued in 2013	\$120,000
Administrative costs expended during 2013	624
Other grants administered through the 14.218 program	266,111
	<u>\$386,735</u>
Total CDBG 14.218 program expenditures	<u>\$386,735</u>

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013, the gross amounts of loans outstanding under this program were \$51,217. The City made no new loans under this program in 2013.

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 \$62,230 and \$2,948 in administrative expenditures under this program in 2013.

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.

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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, 2013, 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 2, 2014.

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, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

September 2, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program

We have audited the City of Bowling Green, Wood County, Ohio's (the City's) 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 the City of Bowling Green's major federal program for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

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 the City's major federal program 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 program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Bowling Green complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

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 2, 2014

**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2013**

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 Cluster – CFDA #14.218
<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?	Yes

**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 16, 2014**