

**City of Bowling Green**  
**Comprehensive Annual Financial Report**  
**for the**  
**Fiscal Year Ended June 30, 2006**



**Issued by the**  
**Department of Finance**

**CITY OF BOWLING GREEN**

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December 27, 2006

Honorable Mayor Elaine Walker  
Members of the City Commission  
Citizens of Bowling Green

Dear Mayor, City Commissioners, and Citizens of Bowling Green:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Bowling Green (City) for the fiscal year ended June 30, 2006. The CAFR was prepared in conformance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the City and its component units.

The CAFR is organized into three sections: An Introductory Section, a Financial Section, and a Statistical Section, as indicated on the large tabs of the report. The Introductory Section provides general information on the City's structure as well as information useful in assessing the City's financial condition. The Financial Section contains the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and individual fund and component unit statements and schedules. The Statistical Section includes selected unaudited financial, demographic, and economic activity useful in assessing the City's financial condition.

Management of the City is responsible for the accuracy of the data presented as well as the completeness and fairness of the presentation of this information. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use and that such cost-benefit evaluation requires estimates and judgment by management.

To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and presents fairly the financial position and results of the operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included in this report

The independent accounting firm of Mountjoy & Bressler, LLP, Certified Public Accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006 are free of any material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by the City; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified ("clean") opinion that the City's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with GAAP. Their report is the first component in the Financial Section of this report.

Additionally, Mountjoy & Bressler, LLP included an audit of federal grants in order to meet the requirements of federal grantor agencies as outlined by the federal Single Audit Act of 1984, the Single Audit Act Amendment of 1996, and related OMB Circular A-133. These standards require the auditor to report not only on the fairness of the representation of the financial statements, but also on the internal controls and compliance with legal requirements of the federal awards. These reports are published separately. Those wishing to receive the Single Audit Report should direct their request to the City's Chief Financial Officer.

## **PROFILE OF THE CITY**

Bowling Green, the "Park City" of Kentucky, was established in 1798, and is located in the south-central part of the state. The City occupies a land area of 38 square miles, has a population estimated at 52,000 and serves as the retail, educational, medical, commercial, and social hub for a population base of 310,000.

The City operates under the City Manager form of government, one of the alternative forms of municipal government established under Kentucky Statutes. Under this form of government, a Mayor, who is elected for a term of four years, governs the City and four City Commissioners, who serve two years each, are all voted into office in non-partisan elections. The Mayor and the City Commissioners comprise the Board of Commissioners (Board), in which all legislative and executive authority of the City is vested. As such, the Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring all City staff. The Board appoints a City Manager, who serves as the Chief Administrative Officer of the City and enforces City ordinances and policy as well as carrying out its day-to-day operations. The City has 445 authorized full-time positions, with 57% of those being public safety related.

The City provides a full range of municipal services, including police and fire protection; engineering and inspection services, construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; and general administrative services. As

required by GAAP, the financial statements of the City also include certain other agencies called component units. A component unit is generally a legally separate entity for which the City is financially accountable. The City is financially accountable for a legally separate organization if City officials appoint a voting majority of its board and it is either able to impose its will on that organization or there is potential for the organization to provide the City specific financial benefits, or impose specific financial burdens on the City.

In accordance with GASB Statement No. 14, "*The Financial Reporting Entity*", and based on the foregoing criteria, the City has presented the Bowling Green Police and Firefighters' Retirement Fund, the Convention Center Corporation and the Bowling Green Municipal Projects Corporation as blended component units within the City's basic financial statements because the component unit's governing body is substantially the same as the governing body of the City, or the component unit provides services almost entirely to the City. Bowling Green Municipal Utilities, the Bowling Green Public Library, and the Bowling Green Enterprise Community, Inc. are included as discretely presented component units because the City is financially accountable and is able to impose its will on the organization or the component unit provides specific financial benefits or imposes specific financial burdens on the City. The Bowling Green - Warren County Airport, Bowling Green City School System, Housing Authority of Bowling Green, and other various related organizations providing services within the City do not meet the financial accountability criteria discussed above and, therefore, are not included in this report.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager submits a proposed budget to the City Commission in June. Under state statute, this budget must be balanced for each fund and total available funds must equal or exceed total anticipated expenditures. The Commission then conducts a series of public hearings on the proposed budget. Prior to July 1, the budget is legally enacted through passage of an ordinance. The Chief Financial Officer is authorized to transfer budgeted amounts between departments within any fund; however, the City Commission must approve any revisions that alter the total expenditures of any fund. During this fiscal year, there were four such budget amendments.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The local economy is a well-balanced blend of service, manufacturing, retail and financial industries. With a rich economic, social, and cultural environment, the City consistently scores high in national rankings of preferred business location and favorable environments for the creation and development of businesses. Forbes Magazine ranked Bowling Green 14<sup>th</sup> in its 2006 Best Small Places For Business report. This ranking was based on the cost of labor, energy, taxes, and office space; share of population over age 25 with a bachelor's degree or higher; and a compilation of 5 years of annualized figures.

Bowling Green was also included in the National Trust for Historic Preservation's 2006 list of America's Dozen Distinctive Destinations. This is the first time a Kentucky destination has been included on the list of 12 communities within the United States that had the following criteria: well-managed growth; an economic base of locally owned small businesses; a commitment to historic preservation; interesting and attractive architecture; cultural diversity; activities for families with

children; and walk-ability for residents and visitors. Preservation organizations, local communities, and individuals selected Bowling Green from 93 destinations in the 39 states that were nominated.

As of June 30, 2006, \$5.7 million in incentives has been provided to 32 new or expanded companies. This investment in the future by the City has resulted in the creation of 2,409 new jobs since 1989, which generated \$1.4 million in occupational taxes paid to the City this fiscal year.

The following is a brief discussion of factors affecting the financial condition of the City. Additional detailed information can be found in the Management's Discussion and Analysis (MD&A), in the Financial Section of this report.

**Economic Performance.** The local economy continued to grow and expand with a mixture of professional, retail, and industrial development at a pace that exceeded the state and national economy. For the year, ten of the eleven major Standard Industry Code (SIC) groups of businesses posted an increase in payroll, which includes our largest group – Services (+7.5%), the second largest SIC group – Manufacturing (+19.9%) and the third largest group – Retail (+10.1%). The only group that posted a net decline in payroll was construction (-26.7%). Overall, payroll in Bowling Green grew by approximately \$107 million (+8.3%) this year.

Business profits hit an all-time high this year, with almost \$315 million in local net profits reported to the City, resulting in Net Profit Tax collections of approximately \$4.7 million. A total of 1,108 new business licenses were issued this fiscal year. Overall, this year's total economic development picture, including new and expanding companies, was a repeat performance from the prior year.

**Employment Opportunities.** Bowling Green's unemployment rate continues to compare favorably to both the state and nation. We began the year in July 2005 with an unemployment rate of 5.5%, versus 6.1% for the state and 5.6% nationally. In June 2006, Bowling Green was at 5.2% versus 5.9% for the state and 4.6% for the nation. During June 2006, the number of individuals employed in the City was 51,193, compared to 52,345 in June 2005, a decrease of approximately 2.2%.

**Job Development Incentive Fund.** City efforts to attract new businesses have been successful, as evidenced by continued economic expansion. One factor contributing to these efforts is the City's Job Development Incentive Fund. This Fund, initiated in 1989, offers incentive loans or credits to manufacturing or service firms who either locate or expand their facilities in the City. The amount of the incentive is related to the City's occupational withholding taxes on new employee wages generated and paid to the City during the firm's initial phase of operation.

**Annexation.** The City has annexed over 3,000 acres into its corporate limits since 1998. In all cases, the property owners requested these annexations. This newly annexed land is being developed for a variety of residential, commercial, and industrial uses, including a large golf course community and the Kentucky TriModal Transpark.

## SIGNIFICANT EVENTS AND INITIATIVES

The City continues to emphasize delivery of focused public services in a way that provides maximum efficiency, effectiveness, and value to the citizens of Bowling Green. The City's major initiatives during the year are discussed below.

**Kentucky TriModal Transpark.** Great strides continue to be made in the development of this high-tech commerce and business park located in northern Bowling Green. Eventually projected to encompass 1,200 acres, the Transpark will have easy access to the railroad and interstate plus State-of-the-art communications. Over \$7 million in federal grants for infrastructure development at the park has been obtained. The first tenant, Bowling Green Metalforming, a division of Magna International, made a \$210 million investment in our community and has provided 750 jobs. The high-tech training center being built by the Kentucky Community Technical College System has been completed and will provide an on-site training facility for the high-tech employers in the area. In addition, the Warren County School System has begun construction on a technical training facility.

**Downtown Revitalization.** This project, which began in fiscal year 2003, is a twenty-year plan that will eventually include revitalization of 29 square blocks in the downtown area. The City has committed over \$3 million in Community Development Block Grants funds, to acquire and clear land for Lee Square (construction for this single family residential development began in 2006); Renaissance Village (an affordable senior housing complex completed in 2006); and Circus Square (a new public park). Additional debt will be issued to complete the park.

**Greenway Development.** The purpose of this multi-year project is to build an intricate 400 mile-long system of walking and biking trails that will eventually connect all City and County parks to schools and other points of interest in our community. Phase I of this multi-year project was completed in 2003 with the receipt of a \$700,000 state grant for the construction of Mitch McConnell Park, which serves as the primary trailhead of the Greenway system and was completed in 2005. An additional \$4.5 million in federal grants was awarded in 2004. These funds are being used for the development of additional Greenway areas and parks. In 2002 the Recreational Trails Program donated \$150,000. The Transportation Enhancement program, the Safe Routes to Schools program, and the City of Bowling Green have altogether allocated \$1,064,000 for improvements of sidewalks, and greenways, as well as bicycle-pedestrian safety programs at the five City elementary schools. The Kentucky Transportation Cabinet has included shared-use path construction with road-widening projects on Lovers Lane and Veterans Memorial Boulevard.

## FINANCIAL INFORMATION

**Budgetary Controls.** The City maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Budgetary control is maintained at the division level and is facilitated by the use of encumbrance accounting. As purchase orders are issued through our financial software, corresponding amounts of a division's appropriations are automatically reserved for later payment. At year-end, open encumbrances are recorded as reservations of fund balance for subsequent year expenditures.

**Cash Management and Investment Policy.** The Department of Finance is responsible for the custody, investment and disbursement of all funds of the City in accordance with the procedures adopted by the City Commission. It is the City's policy to invest funds in a manner that will provide the highest investment return with the maximum security of principal, while meeting the City's daily cash flow demands. The City's investments are governed by Kentucky Revised Statute (KRS) 66.480, and an investment policy approved by the City Commission.

All funds were invested in either obligations of the United States or its agencies, or collateralized Certificates of Deposit. Interest income totaling approximately \$1.8 million was earned in all funds during this fiscal year.

**Self-Insurance and Risk Management.** Bowling Green has been self-insured for health insurance since 1992. The Employee Health Insurance Fund is overseen by the City's Department of Human Resources and is administered by a third party. The City reduces its financial risks in providing health insurance by purchasing various types of reinsurance policies. As of June 30, 2006, the Employee Health Insurance Fund had net assets of approximately \$2.7 million. Since the inception of the City's Loss Management Program in 1990, the City has reduced its Workers Compensation expenditures dramatically. The City uses various risk control techniques to minimize accident-related losses, with our major emphasis concentrated in injury and accident prevention training.

**Pension Trust Funds.** All active City employees are covered by the County Employees Retirement System (CERS), which is a multiple-employer, cost-sharing, defined benefit plan and is administered by the Kentucky Retirement System. The City contributed 10.98% for non-hazardous and 25.01% for hazardous employees during this fiscal year.

The City of Bowling Green Police and Firefighters' Retirement Fund is a single-employer, defined benefit plan created by ordinance and under state statute. On August 1, 1988, the fund was closed to new entrants. Police officers and firefighters on active duty on that date were given a choice of remaining in the fund or transferring their accounts into the CERS. As of June 30, 2006, there were no active employees, 32 retirees and 23 surviving spouses and children in the plan. The actuarial study conducted on June 30, 2006, projected the plan's liabilities to exceed the plan's assets by \$1,115,000. The City plans to continue the funding recommended by the actuary each fiscal year to keep the fund solvent and provide for cost-of-living adjustments, if fiscally able.

## **AWARDS AND ACKNOWLEDGEMENTS**

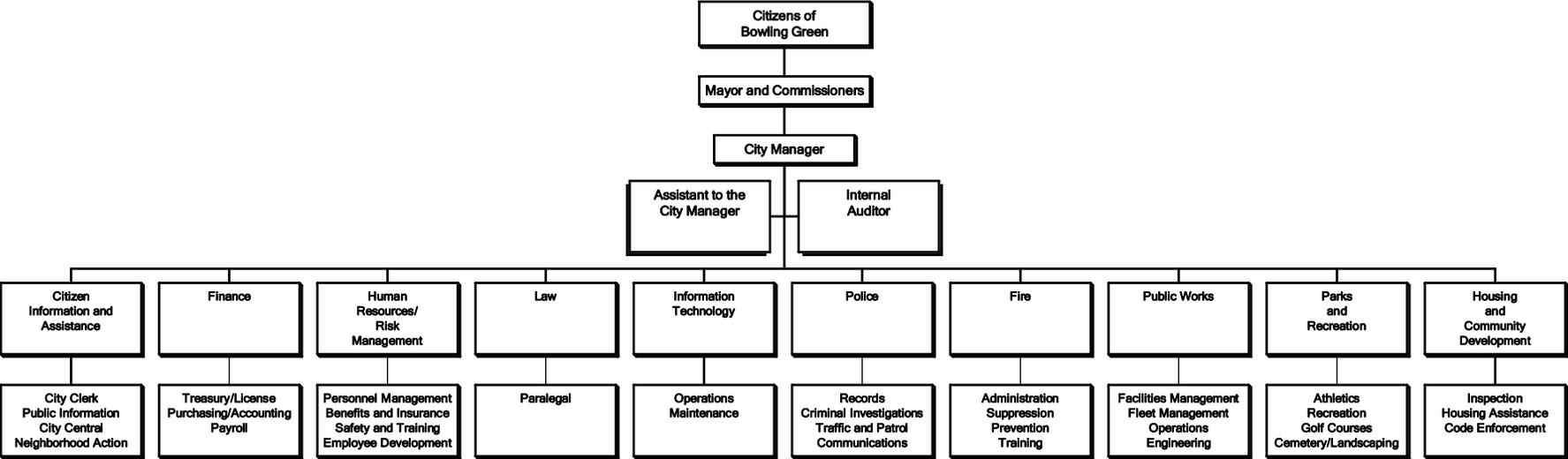
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bowling Green for many years. We were unable to obtain a certificate for the fiscal years ended June 30, 2004 and June 30, 2005 due to difficulties encountered in issuing a revised FY04 CAFR disclosing a subsequent event that occurred in March 2005. We believe this CAFR is in conformity with GAAP and applicable legal requirements, and we will be submitting it to the GFOA in order to receive the Certificate of Achievement for Excellence in Financial Reporting.

**Acknowledgements.** The preparation of this report could not have been accomplished without the dedicated services of the entire staff in the Department of Finance. We wish to express our sincere appreciation to all members of the department for their assistance, with special thanks to Wilma Brown, Comptroller; and to the staff of Mountjoy & Bressler, LLP, CPA's.

Respectfully submitted,

Jeff Meisel, CPA  
Chief Financial Officer

# CITY OF BOWLING GREEN



**CITY OF BOWLING GREEN, KENTUCKY**  
**Directory – Principal Officials**

**Mayor and Commissioners**

<b>Elaine Walker</b>	<b>Mayor</b>
<b>Brian (Slim) Nash</b>	<b>Mayor Pro Tem</b>
<b>Mark Alcott</b>	<b>Commissioner</b>
<b>Delane Simpson</b>	<b>Commissioner</b>
<b>Brian Strow</b>	<b>Commissioner</b>

**Kevin D. DeFebbo – City Manager**

**Administration:**

<b>Deborah Jenkins</b>	<b>Internal Auditor</b>
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**Citizen Information & Assistance:**

<b>J. Michael Grubbs</b>	<b>Director</b>
<b>Katie Schaller</b>	<b>City Clerk</b>

**Finance:**

<b>Jeff Meisel, CPA</b>	<b>Chief Financial Officer</b>
<b>Wilma Brown</b>	<b>Comptroller</b>

**Human Resources:**

<b>Michele Tolbert</b>	<b>Director</b>
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**Law:**

<b>H. Eugene Harmon</b>	<b>City Attorney</b>
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**Information Technology:**

<b>Penny Bradley</b>	<b>Chief Information Officer</b>
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**Public Safety:**

<b>Bill Waltrip</b>	<b>Police Chief</b>
<b>Gerry Brown</b>	<b>Fire Chief</b>

**Public Works:**

<b>Emmett Wood, Jr., PE</b>	<b>Director</b>
<b>Jeff Lashlee</b>	<b>City Engineer</b>

**Parks and Recreation:**

<b>Ernie Gouvas</b>	<b>Director</b>
<b>Karen Singleton</b>	<b>Assistant Director</b>

**Housing and Community Development:**

<b>Alice Burks</b>	<b>Director</b>
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## Report of Independent Accountants

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bowling Green, Kentucky (the Government) as of and for the year ended June 30, 2006, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Policemen and Firemen's Retirement Fund which reflects total assets of \$8,594,618 and total additions of \$425,378 for the year ended June 30, 2006. We did not audit the financial statements of Bowling Green Municipal Utilities and Bowling Green Public Library which represent substantially all of the assets and the revenues as of and for the year ended June 30, 2006 of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Policemen and Firemen's Retirement Fund, Bowling Green Municipal Utilities and Bowling Green Public Library is based solely on the report of the other auditors.

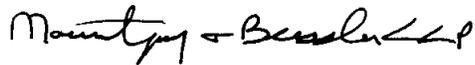
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2006 on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 12 through 22 and 69 through 71 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The introductory section on pages 1 through 9, combining and individual funds statements and schedules on pages 80 through 117, and the statistical section on pages 118 through 136 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



November 15, 2006  
Lexington, Kentucky

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis (MD&A) offers readers of the financial statements an overview and analysis of the financial position and activities of the City of Bowling Green ("the City") for the fiscal year ended June 30, 2006. The information presented here should be read in conjunction with the Letter of Transmittal and the financial statements immediately following this analysis.

### **Financial Highlights**

- The City's assets exceeded its liabilities at the close of the fiscal year by \$107.6 million (net assets). This amount includes \$7.1 million of resources that are restricted to specific projects by laws, regulations or contractual agreements. A total of \$34.1 million of these resources are unrestricted and are available to fund the City's outstanding obligations and future programs.
- The City's total net assets increased \$17.0 million this year. Net assets of governmental activities increased \$16.2 million and net assets of business-type activities increased by \$0.8 million.
- As of June 30, 2006, the City's governmental funds reported combined ending fund balances of \$37.3 million, an increase of \$4.0 million from the prior year. Of this amount, \$10.5 million in the General Fund was unreserved, undesignated, and available for spending. The City has a minimum reserve retention policy of 15% of revenues, which is currently \$7.7 million.
- The City's governmental activities total debt, decreased \$3.5 million. Payment of principal on outstanding debt and no new debt issues contributed to this decrease. Business-type activity debt decreased by \$1.1 million due to the payment of principal on outstanding debt.

### **Overview of Financial Statements**

This report was published under the standards for governmental financial reporting prescribed by the Governmental Accounting Standards Board in their Statement No. 34 (GASB 34). This reporting format consists of a series of financial statements that provide an overview of all services provided by or supported by the City (the government-wide statements) and provides more detailed information about major programs of the City (the fund statements).

The GASB 34 reporting model is designed to provide improved information to the reader. The statements present a financial picture of the City as a whole through the use of a consolidated statement of all funds, eliminating interfund transfers. In addition, the values of fixed assets of governmental-type operations are presented. Under prior

reporting standards, the infrastructure assets for governmental type funds were not reported nor depreciated.

### **Government-Wide Financial Statements**

Government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. In accrual accounting, revenues earned and expenses incurred in the fiscal year are taken into account in the financial statements regardless of when cash is actually received or paid.

The Statement of Net Assets presents information on all the City's assets and liabilities as of June 30, 2006. Net assets are the difference between assets and liabilities. Over time, increases or decreases in net assets are one indicator of whether financial health is improving or deteriorating. Information on other factors, such as changes in the revenue structure and the condition of the City's assets, is also needed to assess the overall financial situation of the City.

The Statement of Activities presents the City's annual revenues and expenses, as well as any other transactions that increase or reduce net assets. Program revenues are offset by program expenses in order to provide better information as to the net program costs that are financed by general government revenues.

The government-wide statements divide the various City functions into three kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including police, fire, public works, parks, community development and general administration. Occupational license fees, property taxes and service charges finance most of these activities.
- Business-type activities - Activities primarily paid for from the charges and fees to cover the cost of services are reported here. This includes our golf programs, the aquatics program and the operations of the Sloan Convention Center.
- Component units - The City includes three separate legal entities in its report. They are Bowling Green Municipal Utilities, the Bowling Green Public Library and the Bowling Green Enterprise Community, Inc. Although legally separate, these component units are important because the City is financially accountable for them.

### **Fund Financial Statements**

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Some funds are required to be established by local law or by bond covenants. However, many

other funds are established to help control and manage money for a particular purpose. Two types of funds are presented in the fund financial statements: governmental funds and proprietary funds.

- Governmental funds - Most of the City's basic services are reported in governmental funds. These statements provide a short-term view of general government operations and show how these services are financed as well as the balances left at year end that are available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The relationship between the governmental activities (reported in the Statement of Net Assets and Statement of Activities) and the governmental funds is described in a reconciliation, which is presented immediately following the fund financial statements. Under accounting guidelines, the City considers the General Fund, WKU, and Debt Service Fund to be its major governmental funds.
- Proprietary funds - When the City charges fees for services which are intended to cover the majority of the cost of providing those services - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. The subcategories of the funds include enterprise funds, which are business-type activities, and internal service funds, which report services provided to internal units of government. The proprietary funds are reported in the same way that all activities are reported in the government-wide statements but the fund statements provide more detail. The City considers the Golf Fund, the Aquatics Fund and the Convention Center Fund to be its major proprietary funds.

### **The City as Trustee**

The City is trustee, or fiduciary, for the closed Policeman and Fireman's Retirement Fund. It is also responsible for other assets that, because of a trust arrangement, can be used only for trust beneficiaries. All the City's fiduciary activities are reported separately after the Proprietary Fund Statements. These activities are excluded from the other government-wide and fund statements because the City cannot use these assets to finance its operations.

### **Government-wide Financial Analysis**

#### **Net Assets**

As of June 30, 2006, the City as a whole had net assets greater than its liabilities by \$107.6 million, an increase of \$17.0 million over last year. Of these net assets, \$66.3 million or 61.7% was invested in capital assets, and \$34.1 million or 31.7% was unrestricted. Net assets of governmental activity funds were \$101.3 million, with \$61.9 million or 61.1% being invested in capital assets and \$32.2 million or 31.8% unrestricted. The unrestricted net assets of governmental funds include fund balances of the General

Fund and various special revenue funds. Unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors in the future.

In March of 2003, an ordinance was enacted that increased the City's Occupational License Tax rate from 1.5% to 2.0%, effective July 1, 2003. This additional .5% rate increase was passed to provide the citizens of Bowling Green with an enhanced level of service and applies to Net Profit fees and Wage Withholding fees. This was the first increase in City Tax rates since 1970, when this fee was increased from 1.0% to 1.5%. The increase was to provide for an additional 31 police officers along with an additional 24 firefighters over the next seven years; expand our codes inspection program; implement the comprehensive pay plan study for all full-time employees undertaken in fiscal year 2002; implement the Federally-mandated storm water management program; undertake an ambitious parks redevelopment program; renovate and add to our Police Headquarters facility; relocate our Public Works Operations Division and to build our reserves to a more appropriate level for the future.

On August 15, 2006, ordinance number 2006-28 was enacted to decrease the City's Occupational License Tax from 2.0% to 1.85%. The decrease was due to unexpected revenue growth since the 2003 tax rate increase and unanticipated surplus reserves above the minimum requirement. This decrease applies to the Net Profit fees and the Wage Withholdings fees and will begin to take effect on January 1, 2007.

**Net Assets**  
**June 30, 2006**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u> (restated)	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u> (restated)
Current and other assets	\$76.3	\$71.3	\$2.1	\$1.8	\$78.4	\$73.1
Capital assets	<u>105.8</u>	<u>98.1</u>	<u>18.4</u>	<u>19.0</u>	<u>124.2</u>	<u>117.1</u>
Total assets	<u>182.1</u>	<u>169.4</u>	<u>20.5</u>	<u>20.8</u>	<u>202.6</u>	<u>190.2</u>
Long-term liabilities	72.9	77.4	12.7	13.7	85.7	91.1
Other liabilities	<u>8.0</u>	<u>7.0</u>	<u>1.5</u>	<u>1.6</u>	<u>9.4</u>	<u>8.6</u>
Total liabilities	<u>80.9</u>	<u>84.4</u>	<u>14.2</u>	<u>15.3</u>	<u>95.1</u>	<u>99.7</u>
Net assets:						
Invested in capital assets, net of related debt	61.9	51.7	4.4	4.0	66.3	55.7
Restricted for:						
Capital Projects	6.0	7.4	0.0	0.0	6.0	7.4
Debt Service	0.1	0.1	0.0	0.0	0.1	0.1
Community Development	1.1	1.1	0.0	0.0	1.1	1.1
Unrestricted	<u>32.2</u>	<u>24.6</u>	<u>1.9</u>	<u>1.5</u>	<u>34.1</u>	<u>26.1</u>
Total net assets	<u>\$101.3</u>	<u>\$84.9</u>	<u>\$6.3</u>	<u>\$5.5</u>	<u>\$107.6</u>	<u>\$90.4</u>

\*Numbers may not total due to rounding.

The net assets of the City's business-type activities were \$6.3 million. Of these net assets, \$4.4 million (70%) were invested in capital assets and there was an unrestricted balance of \$1.9 million (30%).

### Analysis of City Operations

The following table summarizes City operations for the fiscal year ended June 30, 2006. Governmental activities increased the City of Bowling Green's net assets by \$16.2 million, accounting for 95% of the growth in the net assets. Business-type activities increased the City's net assets by \$.8 million, which was 5% of the total increase.

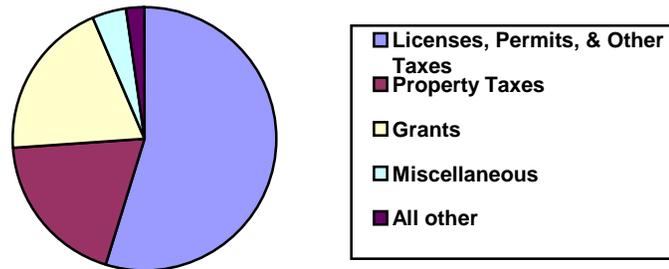
### Statement of Activities For the Year Ended June 30, 2006 (In millions)

	<u>Governmental</u>		<u>Business-</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>type</u>		<u>Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>		<u>(restated)</u>				<u>(restated)</u>
Program Revenues:						
Charges for services	\$1.6	\$2.2	\$2.1	\$2.4	\$3.8	\$4.6
Operating grants and contributions	5.6	5.2			5.6	5.2
Capital grants and contributions	7.9	4.2			7.9	4.2
General revenue:						
Property taxes	13.2	10.8			13.2	10.8
License, permits, & other taxes	37.3	35.7	0.4	0.4	37.7	36.1
Other general revenues	<u>2.7</u>	<u>2.7</u>			<u>2.8</u>	<u>2.8</u>
Total revenues	<u>68.3</u>	<u>60.8</u>	<u>2.5</u>	<u>2.8</u>	<u>71.0</u>	<u>63.7</u>
<b>Program expenses</b>						
General government	10.6	9.8			10.6	9.8
Public safety	17.0	16.9			17.0	16.9
Public works	6.4	6.1			6.4	6.1
Parks and recreation	4.3	4.1			4.3	4.1
Housing and community development	5.2	4.2			5.2	4.2
Community services	2.6	2.4			2.6	2.4
Miscellaneous	0.0	0.0			0.0	0.0
Interest on long-term debt	3.5	3.5			3.5	3.5
Golf			2.3	2.3	2.3	2.3
Aquatics			0.9	1.0	0.9	1.0
Convention Center			<u>0.9</u>	<u>1.1</u>	<u>0.9</u>	<u>1.1</u>
Total expenses	49.6	47.0	4.1	4.4	53.8	51.4
Increase in net assets before transfers	18.6	13.8	(1.5)	(1.6)	17.1	12.2
Transfers	<u>(2.3)</u>	<u>(1.7)</u>	<u>2.3</u>	<u>1.7</u>	<u>0.0</u>	<u>0.0</u>

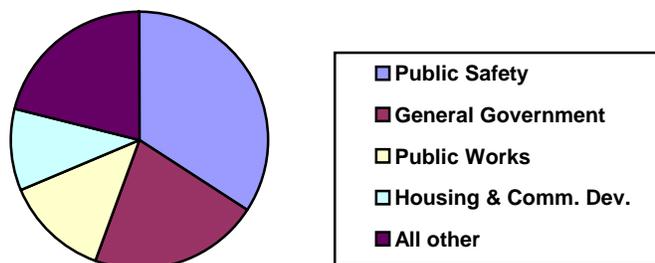
Change in net assets	16.3	12.1	0.8	0.1	17.1	12.2
Net assets, beginning of year, as previously reported	84.9	70.1	5.5	5.4	87.8	75.5
Prior period adjustment	<u>0.0</u>	<u>2.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>2.7</u>
Net assets, beginning of year, as restated	<u>84.9</u>	<u>72.8</u>	<u>5.5</u>	<u>5.4</u>	<u>90.5</u>	<u>78.2</u>
Net assets end of year	<u>\$101.3</u>	<u>\$84.9</u>	<u>\$6.3</u>	<u>\$5.5</u>	<u>\$107.6</u>	<u>\$90.4</u>

\*Numbers may not total due to rounding

Total revenues for the City’s governmental activities totaled \$68.3 million, compared to \$60.8 million last year. Licenses, permits, and other taxes totaled \$37.3 million or 54.6% of the total and includes the occupational license fees. The second largest category of governmental revenues, grants and contributions, accounted for \$13.5 million, or 19.8%. Property taxes totaled \$13.2 million and accounted for 19.3% of total revenues. Miscellaneous sources accounted for \$2.7 million, or 4.0%.



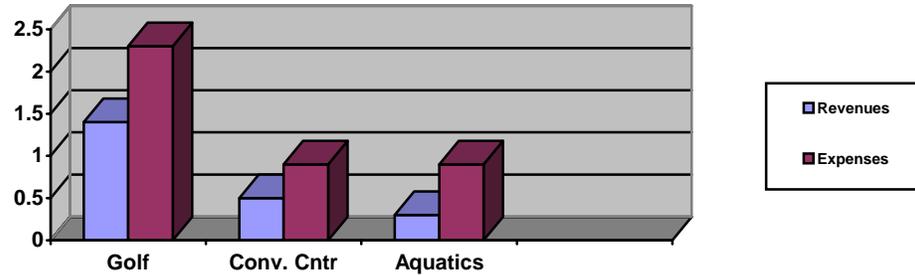
This year total expenses of the City’s governmental activities were \$49.6 million, compared to \$47.0 million last year. The reason for this increase was continued implementation of the Service Enhancement program plus several capital projects. Public safety activities totaled \$17.0 million and accounted for 34.3% of the total. The second largest category of expenses was General Government, which totaled \$10.6 million and accounted for 21.4% of expenses. Public Works was third and totaled \$6.4 million, or 12.9%. The last major expenditure category was Housing and Community Development, where expenses totaled \$5.2 million, 10.5% of the total.



### Business-type Activities

Revenues for business-type activities totaled \$2.5 million this fiscal year compared to \$2.8 last year. Of this \$2.5 million, 84% was from charges for services. Expenses for business-type activities totaled \$4.1 million. The largest program in the business type-

activity was the operation of our three municipal golf courses, which accounted for 56.1% of business-type expenses. The Sloan Convention Center accounted for 22.0% of business-type expenses and the operation of the Russell Sims Aquatic Center accounted for the remaining 21.9% of expenses in our business-type activities.



### Funds of the City of Bowling Green

The City's governmental funds for the year ended June 30, 2006 reflected a combined ending fund balance of \$37.3 million, an increase of \$4.0 million over the prior year. Of this amount, \$21.8 million was unreserved and available for spending at the City's discretion. The remainder was reserved or designated which indicates that it was not available for spending because it had been committed to pay outstanding contracts or purchase orders, to make future debt service payments, or whose spending was otherwise restricted by state statute or by City ordinance.

At the end of the fiscal year, the total fund balance in the General Fund was \$21.7 million, which represents an increase of \$4.4 million over the prior year. Of this total, unreserved, undesignated fund balance was \$10.5 million and reflected 36.7% of General Fund revenues. Reserved and designated fund balances totaled \$11.2 million, or 7% of General Fund revenues. These funds were reserved for prepaid items and to pay contracts and purchase orders outstanding as of June 30, 2006.

The other major governmental fund, the WKU Athletics Fund, is used to account for the revenues and expenditures associated with the June 2002 issuance of \$31,915,000 in City General Obligation and Special Revenue Bonds. The proceeds of these bonds were issued to improve athletics and parking facilities belonging to Western Kentucky University in order to increase the public use of those facilities. Because Western is paying the City for the total debt service each year on these bonds through student athletic fees, the amounts listed both as payables and receivables offset each other and there is no Fund Balance.

The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets in these funds were \$6.3 million as of June 30, 2006, compared to \$5.5 million last year.

The Golf Fund had total net assets of \$2.5 million, an increase of \$0.2 million over the prior year. Of the total net assets, \$2.4 million was invested in capital assets, net of related debt. Unrestricted net assets were \$0.1 million.

Our Aquatics Fund ended the year with total net assets of \$0.7 million representing an increase of \$0.1 million from last year. Of the total net assets, \$0.3 million was invested in capital assets, net of related debt and unrestricted net assets were \$0.4 million.

The Convention Center Fund had total net assets of \$3.1 million, representing an increase of \$0.6 million from last year. Of the total net assets, \$1.7 million was invested in capital assets, net of related debt and \$1.4 million was unrestricted.

### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the City Commission approved revision of the General Fund’s budget three times in order to make adjustments in revenue projections and to add projects that were not anticipated when the budget was first adopted. In all, the revenue budget was increased \$1,533,000, or 3.5%. The total expenditure budget was increased \$3.2 million, or 8.0%. These changes can be briefly summarized as follows:

Our original revenue estimates were changed by the following:

Grants	\$ 941,000
Judgments and Settlements	836,000
Contributions	10,000
Real Estate	(261,000)
Other	7,000

The major increases in total expenditures consisted of increases in Public Works accounts for Storm Water Management and increases in staff (\$999,000) and increases in outside legal fees for the Cooper Restitution (\$825,000). Other major changes were due to the following:

General Government	\$ 241,000
Police	134,000
Fire	458,000
Parks and Recreation	503,000
Housing and Community Development	40,000
Community Services	132,000
Other	(150,000)

### **Capital Assets**

The City's total investment in capital assets totaled \$124.0 million as of June 30, 2006, which represented an increase of \$9.9 million over last year. This investment included land, restricted land, buildings, infrastructure, golf courses, vehicles, and equipment. For

our governmental activities, investments totaled \$105.8 million, an increase of \$10.4 million over June 30, 2005.

This year's major capital additions, the majority of which were involved in the Service Enhancement Project as described earlier, included:

Restricted SKYPAC land acquisition	\$ 1,031,000
Southwest Corridor land acquisition	318,000
Circus Square land acquisition	624,000
Parks Expansion land acquisition	261,000
Police Headquarters professional services	140,000
Riverview Pro Shop construction	113,000
Building Improvement at Fleet	54,000
Infrastructure additions*	1,329,000

\* Note: Infrastructure additions were multiple roads that we accepted as City property after donation by Municipal Order #2005-120.

**Capital Assets at Year-end  
(Net of Depreciation, Stated in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land and restricted land	\$15.5	\$13.1	\$2.7	\$2.7	\$18.2	\$15.8
Infrastructure (Streets)	54.7	50.9	0.0	0.0	54.7	50.9
Buildings	21.4	21.9	8.0	8.1	29.4	30.0
Improvements other than buildings	6.1	6.3	6.9	7.8	13.0	14.1
Vehicles, equipment, and furniture	5.4	5.4	0.4	0.4	5.8	5.8
Construction in progress	2.6	0.5	0.1	0.0	2.7	0.5
Property held under capital lease	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>
Total	<u>\$105.7</u>	<u>\$98.1</u>	<u>\$18.3</u>	<u>\$19.0</u>	<u>\$124.0</u>	<u>\$117.1</u>

\*Numbers may not total due to rounding.

\*Prior year numbers have been updated to reflect the prior period adjustment.

The City has elected to apply the Modified Approach to accounting for its streets infrastructure system as set forth in GASB 34. Using that approach, the City uses a pavement quality index (PQI) to assess the surface condition of individual pavement segments. The City's policy is to achieve an average PQI rating of 7.6 for all streets (on a 10 point basis), which is considered "good". The City's most recent assessment, conducted in January 2005, found that 82% of its streets met or exceeded this goal, versus 70% last year. At the beginning of Fiscal Year 2004, the estimated amount needed to maintain City streets at the 7.6 level over the next ten years was \$6.7 million. Additional information on the City's capital assets activity can be found in note 3D.

## Debt Administration

Bowling Green was the first City in the state to begin issuing general obligation (G.O.) bonds in fiscal year 1999 as a result of changes in state law that had previously precluded this type of financing. Since G.O. bonds are backed by the full faith and credit of the City, they carry a higher credit rating than other forms of debt and have lower interest rates. Consequently, the majority of the future debt issuance of the City will be G.O. debt.

Prior to the issuance of G.O. bonds, mortgage revenue bonds were issued through various public corporations in order to finance public projects. For mortgage revenue bonds, the City enters into automatically annually renewable lease agreements with the corporations whereby lease payments from the City, combined with revenues generated by the operation of the facilities, are sufficient to meet debt service obligations. The underlying security for the bonds is the annually renewable lease agreements and the underlying mortgages on the property. Revenue bonds, where only the revenues from the operation of the facilities are pledged as security for the bonds, are now issued primarily to finance improvements to the sanitary sewer system. For additional detail on the City's debt transactions, please refer to note 3F of this report.

At the end of the Fiscal Year, the City had \$88.6 million in bonds and notes outstanding. There was no new debt issued during this fiscal year.

The following is a summary of the changes in the City's outstanding long-term debt obligations from Fiscal Year 2005 to Fiscal Year 2006, which are further explained in Note 3F.

### Long-term Obligation at Year End (Stated in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation & revenue bonds	\$66.5	\$68.7	\$14.4	\$15.3	\$80.9	\$84.0
Notes & lease purchase agreements	8.1	9.6	0.2	0.3	8.3	9.9
Compensated absences	1.3	1.2	0.0	0.0	1.3	1.2
Landfill post-closure costs	0.7	1.4	0.0	0.0	0.7	1.4
Bond discount and refunding loss	<u>0.2</u>	<u>0.2</u>	<u>(0.9)</u>	<u>(0.9)</u>	<u>(0.7)</u>	<u>(0.8)</u>
Total	<u>\$76.8</u>	<u>\$81.1</u>	<u>\$13.7</u>	<u>\$14.7</u>	<u>\$90.5</u>	<u>\$95.7</u>

\*Numbers may not total due to rounding.

The City maintains a bond rating of "Aa3" from Moody's and "AA-" from Standard & Poor's. Despite the relatively recent legal changes that provide for the issuance of G.O. debt discussed on the previous page, legal limits remain on the total amount of G.O. indebtedness that may be incurred. The Kentucky Constitution provides that the total

principal amount of City net indebtedness, which excludes self-supporting obligations, revenue bonds, special assessment debt, and non-tax supported debt, cannot exceed 10% of the value of taxable property in the City. Therefore, our debt limit is \$377 million.

### **Next Year's Budget**

The Budget for Fiscal Year 2007 includes an occupational tax rate reduction of .15% to 1.85%, effective January 1, 2007. We hope that sustained growth in this revenue category will still allow us to complete the enhancements to City services that were planned with the occupational tax rate increase in 2003, discussed earlier. There is also \$1.3 million in early debt retirement included in the FY07 budget. Finally, there is \$24.4 million budgeted for Capital Improvement projects, of which approximately \$6 million was a carryover from FY06.

The local economy is a well-balanced blend of service, manufacturing, retail, and financial industries. With a rich economic, social, and cultural environment, the City consistently scores high in national rankings of preferred business location and favorable environments for the creation and development of businesses.

Bowling Green's unemployment rate continues to compare favorably to both the state and nation. In June 2006, Bowling Green was at 5.2% versus 5.9% for the state and 4.6% for the U.S. During June 2006, the number of individuals employed in the City was 51,193, down approximately 2.2% from June 2005.

The local economy is expected to continue to grow and expand with a mixture of professional, retail and industrial development at a pace that we believe will exceed the state and national economy. Payroll in Bowling Green grew by approximately \$104.2 million (+8.3%) in Fiscal Year 2006.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Bowling Green's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Jeffery B. Meisel, Chief Financial Officer, P.O. Box 430, Bowling Green, Kentucky, 42102-0430 or they can be e-mailed to [jeff.meisel@bgky.org](mailto:jeff.meisel@bgky.org).

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 10,995,059	\$ -	\$ 10,995,059	\$ -
Non-pooled cash and cash equivalents	836,096	1,550,043	2,386,139	16,110,933
Investments	23,473,323	194,674	23,667,997	152,849
Receivables (net):				
Accounts	43,726	1,995	45,721	3,234,754
Loans	834,941	-	834,941	-
Other	385,827	-	385,827	5,705,205
Accrued interest	70,029	-	70,029	254,055
Due from Western Kentucky University	31,915,000	-	31,915,000	-
Due from primary government	-	283,126	283,126	-
Due from other governmental units	1,171,807	-	1,171,807	-
Internal balances	200,000	(200,000)	-	-
Deferred charges	200,848	-	200,848	268,785
Prepaid items	1,087,894	42,356	1,130,250	882,571
Inventories	75,451	101,387	176,838	759,564
Other assets	8,878	98,455	107,333	370,832
Restricted assets:				
Non-pooled cash and cash equivalents	5,025,961	533	5,026,494	6,261
Restricted cash - TVA	-	-	-	5,150,306
Investments	-	-	-	13,750,498
Restricted land	1,020,981	-	1,020,981	-
Capital assets, net of accumulated depreciation:				
Non-depreciable	71,814,721	2,882,352	74,697,073	18,549,288
Depreciable	32,993,956	15,551,767	48,545,723	96,037,278
<b>Total assets</b>	<b>182,154,498</b>	<b>20,506,688</b>	<b>202,661,186</b>	<b>161,233,179</b>
<b>LIABILITIES</b>				
Vouchers and accounts payable	770,275	40,566	810,841	7,246,259
Grants payable	-	-	-	19,252
Accrued payroll	298,724	23,983	322,707	-
Accrued interest payable	389,208	56,879	446,087	1,296,548
Insurance claims payable	347,999	-	347,999	-
Due to component unit	-	283,126	283,126	-
Other current liabilities	-	-	-	708,550
Deferred revenue	2,029,621	-	2,029,621	45,194
Deposits	232,146	-	232,146	2,290,999
Noncurrent liabilities:				
Due within one year				
Compensated absences	-	1,522	1,522	658,899
Bonds payable	2,214,417	980,665	3,195,082	2,018,532
Notes and capital lease obligations	1,579,535	80,250	1,659,785	-
Landfill closure and post closure costs	90,000	-	90,000	-
Due in more than one year				
Bonds payable	64,459,398	12,545,454	77,004,852	36,859,903
Notes and capital lease obligations	6,549,488	153,436	6,702,924	-
Compensated absences	1,330,262	41,548	1,371,810	229,807
Landfill closure and post closure costs	607,500	-	607,500	-
Advances from customers and TVA	-	-	-	135,159
<b>Total liabilities</b>	<b>80,898,573</b>	<b>14,207,429</b>	<b>95,106,002</b>	<b>51,509,102</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	61,920,839	4,391,188	66,312,027	77,833,158
Restricted for:				
Debt service	105,116	-	105,116	13,756,759
Capital projects	5,957,189	-	5,957,189	-
Community development	1,051,830	-	1,051,830	-
Unrestricted	32,220,951	1,908,071	34,129,022	18,134,160
<b>Total net assets</b>	<b>\$ 101,255,925</b>	<b>\$ 6,299,259</b>	<b>\$ 107,555,184</b>	<b>\$ 109,724,077</b>

See accompanying independent auditor's report and notes to financial statements

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Function/Programs	Program Revenues				Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
Governmental activities:								
General government	\$ 10,620,708	\$ 1,072,180	\$ 2,040,705	\$ 4,093,999	\$ (3,413,824)	\$ -	\$ (3,413,824)	\$ -
Public safety	17,028,198	199,137	1,108,626	212,077	(15,508,358)	-	(15,508,358)	-
Public works	6,407,082	-	-	1,233,163	(5,173,919)	-	(5,173,919)	-
Parks and recreation	4,318,574	361,444	-	-	(3,957,130)	-	(3,957,130)	-
Housing and community development	5,221,716	-	2,464,699	2,317,231	(439,786)	-	(439,786)	-
Community services	2,585,297	-	-	-	(2,585,297)	-	(2,585,297)	-
Interest expense	3,478,617	-	-	-	(3,478,617)	-	(3,478,617)	-
Total governmental activities	<u>49,660,192</u>	<u>1,632,761</u>	<u>5,614,030</u>	<u>7,856,470</u>	<u>(34,556,931)</u>	<u>-</u>	<u>(34,556,931)</u>	<u>-</u>
Business-type activities:								
Golf course	2,316,855	1,369,313	-	-	-	(947,542)	(947,542)	-
Aquatics	877,479	461,381	-	-	-	(416,098)	(416,098)	-
Convention center	897,524	312,682	-	-	-	(584,842)	(584,842)	-
Total business-type activities	<u>4,091,858</u>	<u>2,143,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,948,482)</u>	<u>(1,948,482)</u>	<u>-</u>
Total primary government	<u>53,752,050</u>	<u>3,776,137</u>	<u>5,614,030</u>	<u>7,856,470</u>	<u>(34,556,931)</u>	<u>(1,948,482)</u>	<u>(36,505,413)</u>	<u>-</u>
<b>COMPONENT UNITS</b>								
Bowling Green Municipal Utilities	74,011,092	75,475,038	-	765,242	-	-	-	2,229,188
Bowling Green Public Library	2,397,491	56,870	479,816	-	-	-	-	(1,860,805)
Bowling Green Enterprise Community	160,832	-	151,141	-	-	-	-	(9,691)
Total component units	<u>\$ 76,569,415</u>	<u>\$ 75,531,908</u>	<u>\$ 630,957</u>	<u>\$ 765,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>358,692</u>
<b>General revenues:</b>								
Property taxes					13,163,115	-	13,163,115	1,713,313
Other taxes					-	373,236	373,236	-
Licenses and permits					37,285,158	-	37,285,158	-
Gain (loss) on sale of capital assets					44,519	(10,854)	33,665	19,024
Judgements and settlements					730,458	-	730,458	-
Investment income					1,787,940	55,069	1,843,009	1,361,332
Miscellaneous					148,603	-	148,603	416,011
Total general revenues					<u>53,159,793</u>	<u>417,451</u>	<u>53,577,244</u>	<u>3,509,680</u>
Transfers					<u>(2,318,501)</u>	<u>2,318,501</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>50,841,292</u>	<u>2,735,952</u>	<u>53,577,244</u>	<u>3,509,680</u>
Change in net assets					16,284,361	787,470	17,071,831	3,868,372
Net assets, beginning of year, as previously reported					82,238,598	5,511,789	87,750,387	105,855,705
Prior period adjustment					<u>2,732,966</u>	<u>-</u>	<u>2,732,966</u>	<u>-</u>
Net assets, beginning of year, as restated					<u>84,971,564</u>	<u>5,511,789</u>	<u>90,483,353</u>	<u>105,855,705</u>
Net assets, end of year					<u>\$ 101,255,925</u>	<u>\$ 6,299,259</u>	<u>\$ 107,555,184</u>	<u>\$ 109,724,077</u>

See accompanying independent auditor's report and notes to financial statements

CITY OF BOWLING GREEN, KENTUCKY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

	General	WKU Athletics	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Pooled cash and cash equivalents	\$ 4,539,958	\$ -	\$ 104,080	\$ 4,403,934	\$ 9,047,972
Non-pooled cash and cash equivalents	18,894	-	-	817,202	836,096
Investments	16,615,904	-	-	4,853,172	21,469,076
Receivables (net of allowances for uncollectibles):					
Accounts	17,423	-	-	23,895	41,318
Loans	-	-	-	834,941	834,941
Western Kentucky University	-	31,915,000	-	-	31,915,000
Interest	43,840	-	-	12,346	56,186
Due from other funds	310,000	-	-	-	310,000
Due from other governmental units	206,392	-	-	965,415	1,171,807
Prepaid items	872,781	-	-	-	872,781
Restricted assets:					
Non-pooled cash and cash equivalents	14,415	-	1,036	5,005,510	5,020,961
Other assets	-	-	-	8,878	8,878
<b>Total assets</b>	<b>\$ 22,639,607</b>	<b>\$ 31,915,000</b>	<b>\$ 105,116</b>	<b>\$ 16,925,293</b>	<b>\$ 71,585,016</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Vouchers and accounts payable	\$ 260,444	\$ -	\$ -	\$ 426,830	\$ 687,274
Accrued payroll	287,473	-	-	6,034	293,507
Due to other funds	-	-	-	110,000	110,000
Deferred revenue	170,785	31,915,000	-	858,836	32,944,621
Security deposits	196,800	-	-	35,346	232,146
<b>Total liabilities</b>	<b>915,502</b>	<b>31,915,000</b>	<b>-</b>	<b>1,437,046</b>	<b>34,267,548</b>
Fund Balances					
Reserved for encumbrances	681,409	-	-	3,779,329	4,460,738
Reserved for perpetual care	-	-	-	561,341	561,341
Unreserved					
Designated	10,500,000	-	-	-	10,500,000
Undesignated, reported in special revenue funds	-	-	-	8,367,593	8,367,593
Undesignated, reported in capital projects funds	-	-	-	2,747,696	2,747,696
Undesignated, reported in permanent funds	-	-	-	32,288	32,288
Undesignated	10,542,696	-	105,116	-	10,647,812
<b>Total fund balances</b>	<b>21,724,105</b>	<b>-</b>	<b>105,116</b>	<b>15,488,247</b>	<b>37,317,468</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,639,607</b>	<b>\$ 31,915,000</b>	<b>\$ 105,116</b>	<b>\$ 16,925,293</b>	<b>\$ 71,585,016</b>

**CITY OF BOWLING GREEN, KENTUCKY**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2006

Fund balances - total governmental funds \$ 37,317,468

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

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

Governmental capital assets	125,190,514	
Less accumulated depreciation	<u>(19,573,645)</u>	105,616,869

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

4,023,657

Other long term assets, including the City's receivable from a former employee and WKU, are not available to pay for current period expenditures and, therefore, are deferred in the funds.

32,300,827

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

General obligation and revenue bonds	(66,461,810)	
Issuance discount (to be amortized over the life of debt)	1,479	
Issuance premium (to be amortized over the life of debt)	(213,484)	
Deferred charges for issuance costs (to be amortized over the life of debt)	200,848	
Notes and lease purchase agreements	(8,129,023)	
Deferred revenue	(1,000,000)	
Accrued interest payable	(389,208)	
Accrued compensated absences	(1,314,198)	
Landfill postclosure care	<u>(697,500)</u>	<u>(78,002,896)</u>

\$ 101,255,925

**CITY OF BOWLING GREEN, KENTUCKY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	General	WKU Athletics	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 11,154,674	\$ -	\$ -	\$ 2,008,441	\$ 13,163,115
Licenses and permits	34,749,955	-	-	2,535,202	37,285,157
Intergovernmental	949,816	1,537,811	-	7,380,806	9,868,433
Investment income	1,101,144	-	3,082	529,058	1,633,284
Charges for services	571,009	-	-	-	571,009
Parks and recreation	361,444	-	-	-	361,444
Miscellaneous	853,941	-	-	563,640	1,417,581
<b>Total Revenues</b>	<b>49,741,983</b>	<b>1,537,811</b>	<b>3,082</b>	<b>13,017,147</b>	<b>64,300,023</b>
<b>EXPENDITURES</b>					
Current:					
General government	6,409,469	-	-	80,919	6,490,388
Public safety	18,468,595	-	-	1,381,318	19,849,913
Public works	6,094,722	-	-	1,424,019	7,518,741
Parks and recreation	4,274,028	-	-	-	4,274,028
Housing and community development	1,464,402	-	-	3,834,328	5,298,730
Community services	2,576,613	-	-	-	2,576,613
Capital Outlay	-	-	-	6,254,064	6,254,064
Debt Service:					
Principal	-	-	3,506,898	-	3,506,898
Interest and fiscal charges	-	-	3,403,726	-	3,403,726
<b>Total Expenditures</b>	<b>39,287,829</b>	<b>-</b>	<b>6,910,624</b>	<b>12,974,648</b>	<b>59,173,101</b>
Excess (deficiency) of revenues over (under) expenditures	10,454,154	1,537,811	(6,907,542)	42,499	5,126,922
Other financing sources (uses):					
Transfers in	200,000	-	6,907,709	2,094,416	9,202,125
Transfers out	(6,392,704)	(1,537,811)	-	(3,517,611)	(11,448,126)
Proceeds from the sale of capital assets	146,475	-	-	1,000,000	1,146,475
<b>Total other financing sources (uses)</b>	<b>(6,046,229)</b>	<b>(1,537,811)</b>	<b>6,907,709</b>	<b>(423,195)</b>	<b>(1,099,526)</b>
Net change in fund balances	4,407,925	-	167	(380,696)	4,027,396
Fund balances, beginning	17,316,180	-	104,949	15,868,943	33,290,072
Fund balances, ending	\$ 21,724,105	\$ -	\$ 105,116	\$ 15,488,247	\$ 37,317,468

**CITY OF BOWLING GREEN, KENTTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
June 30, 2006

Net change in fund balances - total governmental funds \$ 4,027,396

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Governmental funds also report only the proceeds from sales of fixed assets while the net gain or loss is reported in the statement of activities. In addition, infrastructure assets donated to the city are not recorded on the governmental funds but are donated capital on the statement of activities. 7,652,552

Certain long term receivables are not available for the payment of current expenditures and therefore are not reported in the governmental funds. Payments on these receivables are recorded as revenue in the governmental funds and reduction of the receivable in the statement of net assets (8,753)

Deferred revenue related to restricted land is recorded as revenue on the governmental funds (1,000,000)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term and related items. 3,512,077

Accrued interest expense on long-term debt is reported in the statement of activities, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. (80,069)

Some expenses reported in 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	(65,152)
Landfill postclosure care	680,362

The internal service funds used by management to charge the costs of insurance and fleet maintenance to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and related internal fund revenues are eliminated. 1,565,948

Change in net assets of governmental activities \$ 16,284,361

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2006

	Business-Type Activities Enterprise Funds			Total	Governmental Activities
	Golf	Aquatics	Convention Center		Internal Service Funds
<b>ASSETS</b>					
Current Assets					
Pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,947,087
Non-pooled cash and cash equivalents	283,863	345,138	921,042	1,550,043	-
Investments	-	97,337	97,337	194,674	2,004,247
Accounts receivable	-	1,108	887	1,995	2,408
Interest receivable	-	-	-	-	13,843
Current portion of lease receivable from component unit	-	-	11,541	11,541	-
Inventories	101,387	-	-	101,387	75,451
Prepaid items	-	-	42,356	42,356	215,113
Total current assets	<u>385,250</u>	<u>443,583</u>	<u>1,073,163</u>	<u>1,901,996</u>	<u>4,258,149</u>
Noncurrent assets					
Restricted assets:					
Non-pooled cash and cash equivalents	-	-	533	533	5,000
Noncurrent portion of lease receivable from component unit	-	-	271,585	271,585	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>272,118</u>	<u>272,118</u>	<u>5,000</u>
Capital assets					
Land	248,543	200,991	2,290,764	2,740,298	-
Buildings	1,638,212	378,562	9,591,169	11,607,943	202,590
Improvements other than buildings	-	6,343,527	-	6,343,527	-
Golf course improvements	4,754,227	-	-	4,754,227	-
Machinery and equipment	1,090,079	40,593	1,226,610	2,357,282	251,330
Furniture and fixtures	-	-	-	-	-
Construction in progress	-	-	142,054	142,054	-
Property held under capital lease	333,137	-	-	333,137	-
	8,064,198	6,963,673	13,250,597	28,278,468	453,920
Less accumulated depreciation	<u>(3,070,938)</u>	<u>(2,301,377)</u>	<u>(4,472,034)</u>	<u>(9,844,349)</u>	<u>(241,131)</u>
Capital assets, net	4,993,260	4,662,296	8,778,563	18,434,119	212,789
Other assets					
	16,089	-	82,366	98,455	-
Total assets	<u>\$ 5,394,599</u>	<u>\$ 5,105,879</u>	<u>\$ 10,206,210</u>	<u>\$ 20,706,688</u>	<u>\$ 4,475,938</u>
<b>LIABILITIES</b>					
Current liabilities					
Vouchers and accounts payable	\$ 25,009	\$ 15,309	\$ 248	\$ 40,566	\$ 83,001
Accrued payroll	15,150	8,833	-	23,983	5,217
Accrued interest payable	16,774	19,430	20,675	56,879	-
Insurance claims payable	-	-	-	-	347,999
Due to other funds	200,000	-	-	200,000	-
Current portion of capital lease obligations	80,250	-	-	80,250	-
Current portion of capital lease due to component unit	11,541	-	-	11,541	-
Current portion of bond obligations	359,400	221,265	400,000	980,665	-
Total current liabilities	<u>708,124</u>	<u>264,837</u>	<u>420,923</u>	<u>1,393,884</u>	<u>436,217</u>
Noncurrent liabilities					
Compensated absences	40,249	2,821	-	43,070	16,064
Noncurrent portion of capital lease obligations	153,436	-	-	153,436	-
Noncurrent portion of capital lease due to component units	271,585	-	-	271,585	-
Noncurrent portion of bond obligations	1,714,097	4,144,064	6,687,293	12,545,454	-
Total noncurrent liabilities	<u>2,179,367</u>	<u>4,146,885</u>	<u>6,687,293</u>	<u>13,013,545</u>	<u>16,064</u>
Total liabilities	<u>2,887,491</u>	<u>4,411,722</u>	<u>7,108,216</u>	<u>14,407,429</u>	<u>452,281</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,402,951	296,967	1,691,270	4,391,188	212,789
Unrestricted	104,157	397,190	1,406,724	1,908,071	3,810,868
Total net assets	<u>\$ 2,507,108</u>	<u>\$ 694,157</u>	<u>\$ 3,097,994</u>	<u>\$ 6,299,259</u>	<u>\$ 4,023,657</u>

See accompanying independent auditor's report and notes to financial statements

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the year ended June 30, 2006

	Business-type Activities - Enterprise Funds			Total	Governmental
	Golf	Aquatics	Convention Center		Activities Internal Service Funds
<b>OPERATING REVENUES</b>					
Taxes	\$ -	\$ -	\$ 373,236	\$ 373,236	\$ -
Charges for services	1,369,313	461,381	312,682	2,143,376	1,113,136
Insurance premiums	-	-	-	-	5,338,449
Judgements and settlements	-	-	-	-	132
Miscellaneous	-	-	-	-	269
Total operating revenues	<u>1,369,313</u>	<u>461,381</u>	<u>685,918</u>	<u>2,516,612</u>	<u>6,451,986</u>
<b>OPERATING EXPENSES</b>					
Cost of sales	237,752	47,412	-	285,164	-
Personnel services	1,024,008	106,248	-	1,130,256	468,389
Contractual services	194,834	37,658	255,470	487,962	132,483
Supplies	293,305	41,358	5,285	339,948	755,873
Utilities	69,911	51,749	-	121,660	-
Repairs and maintenance	35,121	25,981	4,500	65,602	82,780
Insurance premiums and claims	-	-	-	-	3,447,109
Depreciation	289,974	313,912	312,336	916,222	22,616
Miscellaneous	53,455	5,173	-	58,628	41,418
Total operating expenses	<u>2,198,360</u>	<u>629,491</u>	<u>577,591</u>	<u>3,405,442</u>	<u>4,950,668</u>
Operating income (loss)	(829,047)	(168,110)	108,327	(888,830)	1,501,318
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	18,243	16,028	20,798	55,069	137,576
Gain (loss) on disposal of assets	(10,265)	(589)	-	(10,854)	(446)
Interest expense	(90,652)	(244,339)	(251,069)	(586,060)	-
Amortization	(27,843)	(3,649)	(68,864)	(100,356)	-
Total nonoperating revenues (expenses)	<u>(110,517)</u>	<u>(232,549)</u>	<u>(299,135)</u>	<u>(642,201)</u>	<u>137,130</u>
Income (loss) before transfers	(939,564)	(400,659)	(190,808)	(1,531,031)	1,638,448
Transfers in	1,103,387	454,429	865,773	2,423,589	127,500
Transfers out	-	-	(105,088)	(105,088)	(200,000)
Change in net assets	163,823	53,770	569,877	787,470	1,565,948
Net assets, beginning	<u>2,343,285</u>	<u>640,387</u>	<u>2,528,117</u>	<u>5,511,789</u>	<u>2,457,709</u>
Net assets, ending	<u>\$ 2,507,108</u>	<u>\$ 694,157</u>	<u>\$ 3,097,994</u>	<u>\$ 6,299,259</u>	<u>\$ 4,023,657</u>

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended June 30, 2006

	Business-type Activities - Enterprise Funds			Total	Governmental
	Golf	Aquatics	Convention Center		Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 1,369,313	\$ 461,381	\$ 312,682	\$ 2,143,376	\$ 6,449,810
Other cash receipts	-	-	372,349	372,349	-
Cash payments to employees and suppliers	(1,923,988)	(389,139)	(277,556)	(2,590,683)	(1,535,567)
Claims paid	-	-	-	-	(3,705,845)
Net cash provided by (used in) operating activities	(554,675)	72,242	407,475	(74,958)	1,208,398
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	1,103,387	454,429	865,773	2,423,589	127,500
Transfers out	-	-	(105,088)	(105,088)	(200,000)
Net cash provided by (used in) noncapital financing activities	1,103,387	454,429	760,685	2,318,501	(72,500)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(163,603)	(18,376)	(150,485)	(332,464)	(1,132,553)
Principal paid on bond obligations	(84,982)	(210,228)	(410,000)	(705,210)	-
Interest paid on bond obligations	(6,165)	(245,260)	(251,711)	(503,136)	-
Principal paid on capital leases	(348,892)	-	-	(348,892)	-
Interest paid on capital leases	(78,163)	-	-	(78,163)	-
Principal paid on component unit lease	(11,541)	-	-	(11,541)	-
Interest paid on component unit lease	(12,034)	-	-	(12,034)	-
Net cash provided by (used in) capital and related financing activities	(705,380)	(473,864)	(812,196)	(1,991,440)	(1,132,553)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	18,243	14,920	20,798	53,961	135,109
Purchase of investments	-	(97,337)	(97,337)	(194,674)	(196,769)
Cash received from lease property	-	-	11,541	11,541	-
Net cash provided by (used in) investing activities	18,243	(82,417)	(64,998)	(129,172)	(61,660)
Net increase (decrease) in cash and cash equivalents	(138,425)	(29,610)	290,966	122,931	(58,315)
Cash and cash equivalents, beginning of year	422,288	374,748	630,609	1,427,645	2,010,402
Cash and cash equivalents, end of year	\$ 283,863	\$ 345,138	\$ 921,575	\$ 1,550,576	\$ 1,952,087
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (829,047)	\$ (168,110)	\$ 108,327	\$ (888,830)	\$ 1,501,318
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	289,974	313,912	312,336	916,222	22,616
Change in assets and liabilities					
Increase in accounts receivable	-	-	(887)	(887)	(2,176)
Increase in inventories	(14,172)	-	-	(14,172)	(2,302)
(Increase) decrease in prepaid items	-	-	(5,694)	(5,694)	(73,867)
Increase (decrease) in accounts payable	(4,849)	(80,039)	(6,607)	(91,495)	20,298
Increase (decrease) in compensated absences	303	(414)	-	(111)	762
Increase in accrued payroll	3,116	6,893	-	10,009	485
Decrease in insurance claims payable	-	-	-	-	(258,736)
Net cash provided by (used in) operating activities	\$ (554,675)	\$ 72,242	\$ 407,475	\$ (74,958)	\$ 1,208,398

**CITY OF BOWLING GREEN, KENTUCKY**

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006

	<b>Pension Trust - Police &amp; Firemen's Retirement</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Pooled cash and cash equivalents	\$ -	\$ 647,663
Non-pooled cash and cash equivalents	230,387	186,729
Accrued interest receivable	39,279	-
Investments	8,324,952	-
	<hr/>	<hr/>
Total assets	<u>\$ 8,594,618</u>	<u>\$ 834,392</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,386	\$ -
Due to other funds	-	11,617
Due to other governmental units	-	630,623
Due to employees	-	17,040
Other liabilities	-	175,112
	<hr/>	<hr/>
Total liabilities	<u>2,386</u>	<u>\$ 834,392</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 8,592,232</u>	

**CITY OF BOWLING GREEN, KENTUCKY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

For the year ended June 30, 2006

	<b>Pension Trust - Police &amp; Firemen's Retirement</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 209,000
Investment income:	
Net appreciation in fair value of investments	127,252
Interest	246,460
Dividends	51,666
	<hr/>
Total investment earnings	425,378
	<hr/>
Total additions	634,378
	<hr/>
<b>DEDUCTIONS</b>	
Benefit payments	950,964
Administrative expenses	14,369
	<hr/>
Total deductions	965,333
	<hr/>
Change in net assets	(330,955)
Net assets, beginning of year	8,923,187
	<hr/>
Net assets, end of year	<u><u>\$ 8,592,232</u></u>

**CITY OF BOWLING GREEN, KENTUCKY**

STATEMENT OF NET ASSETS

COMPONENT UNITS

June 30, 2006

	<b>Bowling Green Municipal Utilities</b>	<b>Bowling Green Public Library</b>	<b>Bowling Green Enterprise Community</b>	<b>Total</b>
<b>ASSETS</b>				
Non-pooled cash and cash equivalents	\$ 15,459,034	\$ 608,326	\$ 43,573	\$ 16,110,933
Investments	100,000	52,849	-	152,849
Receivables (net):				
Accounts	3,234,754	-	-	3,234,754
Other	705,205	-	-	705,205
Accrued interest	254,055	-	-	254,055
Inventories	759,564	-	-	759,564
Prepaid items	869,176	13,395	-	882,571
Deferred charges	268,785	-	-	268,785
Restricted assets:				
Non-pooled cash and cash equivalents	-	6,261	-	6,261
Restricted cash - TVA	5,150,306	-	-	5,150,306
Investments	13,750,498	-	-	13,750,498
Due from component units, noncurrent	5,000,000	-	-	5,000,000
Other assets	370,832	-	-	370,832
Capital assets, net of accumulated depreciation:				
Non-depreciable	18,331,014	218,274	-	18,549,288
Depreciable	93,949,385	2,087,893	-	96,037,278
<b>Total assets</b>	<b>158,202,608</b>	<b>2,986,998</b>	<b>43,573</b>	<b>161,233,179</b>
<b>LIABILITIES</b>				
Vouchers and accounts payable	7,207,115	39,144	-	7,246,259
Grants payable	-	-	19,252	19,252
Compensated absences payable	559,020	99,879	-	658,899
Accrued interest payable	1,296,548	-	-	1,296,548
Other current liabilities	708,550	-	-	708,550
Advances from TVA - conservation program	45,194	-	-	45,194
Customer advances	135,159	-	-	135,159
Security deposits	2,290,999	-	-	2,290,999
Compensated absences payable, noncurrent	229,807	-	-	229,807
Noncurrent liabilities				
Due within one year	2,018,532	-	-	2,018,532
Due in more than one year	36,859,903	-	-	36,859,903
<b>Total liabilities</b>	<b>51,350,827</b>	<b>139,023</b>	<b>19,252</b>	<b>51,509,102</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	75,526,991	2,306,167	-	77,833,158
Restricted for capital activities and debt service	13,750,498	6,261	-	13,756,759
Unrestricted	17,574,292	535,547	24,321	18,134,160
<b>Total net assets</b>	<b>\$ 106,851,781</b>	<b>\$ 2,847,975</b>	<b>\$ 24,321</b>	<b>\$ 109,724,077</b>

**CITY OF BOWLING GREEN, KENTUCKY**

STATEMENT OF ACTIVITIES

COMPONENT UNITS

For the Year Ended June 30, 2006

Function/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Contributions	Capital Contributions	Bowling Green Municipal Utilities	Bowling Green Public Library	Bowling Green Enterprise Community	Totals
Bowling Green Municipal Utilities	\$ 74,011,092	\$ 75,475,038	\$ -	\$ 765,242	\$ 2,229,188	\$ -	\$ -	\$ 2,229,188
Bowling Green Public Library	2,397,491	56,870	479,816	-	-	(1,860,805)	-	(1,860,805)
Bowling Green Enterprise Community	160,832	-	151,141	-	-	-	(9,691)	(9,691)
<b>Total component units</b>	<b>\$ 76,569,415</b>	<b>\$ 75,531,908</b>	<b>\$ 630,957</b>	<b>\$ 765,242</b>	<b>2,229,188</b>	<b>(1,860,805)</b>	<b>(9,691)</b>	<b>358,692</b>
<b>General revenues:</b>								
Property taxes					-	1,713,313	-	1,713,313
Licenses and permits					-	-	-	-
Gain (loss) on sale of capital assets					19,024	-	-	19,024
Judgements and settlements					-	-	-	-
Investment income					1,345,484	15,848	-	1,361,332
Miscellaneous					353,641	62,370	-	416,011
<b>Total general revenues</b>					<b>1,718,149</b>	<b>1,791,531</b>	<b>-</b>	<b>3,509,680</b>
Change in net assets					3,947,337	(69,274)	(9,691)	3,868,372
Net assets, beginning of year					102,904,444	2,917,249	34,012	105,855,705
Net assets, end of year					<b>\$ 106,851,781</b>	<b>\$ 2,847,975</b>	<b>\$ 24,321</b>	<b>\$ 109,724,077</b>

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

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## CITY OF BOWLING GREEN, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2006

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bowling Green (the City) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for government accounting and financial reporting. In accordance with GASB Statement No. 20, all applicable GASB pronouncements as well as Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, have been selected in accounting for proprietary funds. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**A. Reporting Entity** - The accompanying financial statements present the City and its component units (traditionally separate reporting entities), for which the City is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

**1. Blended Component Units** - The agencies and organizations listed below are, in substance, the same as the City, despite being legally separate from the City. Therefore, they are reported as part of the primary government. They have a governing body that is substantially the same as the governing body of the City; provide services entirely, or almost entirely, to the City; or otherwise exclusively, or almost exclusively, benefit the City even though they do not provide services directly to the City.

#### Governmental Fund Type

**City of Bowling Green Policemen and Firemen's Retirement Fund.** Retired or disabled City public safety employees participate in the Policemen and Firemen's Retirement Fund. The Fund functions for the benefit of these employees and surviving spouses and is administered by a Board of Trustees consisting of the Mayor, City Chief Financial Officer and representatives of the police and fire departments.

The City contributes amounts required to fund current service costs and interest on unfunded past service costs based upon actuarial valuations. Plan benefit levels are determined by Kentucky Revised Statutes.

**Bowling Green Municipal Projects Corporation.** The non-profit corporation was organized as an agency and instrumentality of the City to facilitate the financing of public capital projects. The corporation's articles of incorporation contain provisions for the City's governing body to retain organizational and supervisory control over the corporation's activities as a constituted authority of the City. The corporation issues revenue bonds to finance construction of public projects and leases the facilities to the City in accordance with lease agreements providing for initial one-year lease terms with annual renewal options at rental amounts sufficient to cover principal and interest maturities within that year.

**CITY OF BOWLING GREEN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

The non-profit corporation's debt service transactions are reported as part of the City's Debt Service Fund.

**Proprietary Fund Type**

**The Convention Center Corporation.** The non-profit corporation was organized as an agency, instrumentality and constituted authority of the City for the express purpose of planning, financing and constructing a municipal convention center and trade show facility and Crosswinds golf course pro shop facility.

The Board of Directors consists of the Mayor, City Commissioner and Warren County Judge-Executive. Special taxing districts have been created by the City and County in the Hartland Planned Community for Convention Center Corporation operations. Bond issuance is approved by the City Commission. The Corporation is reported as an enterprise fund.

- 2. Discretely Presented Component Units** - The agencies described below are included in the City's reporting entity because the City appoints the governing body and the agencies are fiscally dependent on the City. All of these agencies are reported as discretely presented component units because the primary government is financially accountable and is able to impose its will on the organization or the component unit provides specific financial benefits or imposes specific financial burdens on the primary government.

**Governmental Fund Type**

**Bowling Green Public Library.** The library was organized under Kentucky Revised Statutes and is operated as a free city library for the citizens of Bowling Green and Warren County.

Members of the board of trustees are appointed by the Mayor and approved by the City Commission. The City provides a material subsidy to the library to finance operations.

**Bowling Green Enterprise Community, Inc.** The non-profit corporation was organized for the purpose of providing fiscal oversight for grant funds and programs related to the City's Enterprise Community designation from the U.S. Department of Agriculture for revitalization efforts in the defined geographic area.

Members of the Board of Directors are nominated by the Mayor and approved by the City Commission. The City also provides administrative services and office space for the non-profit corporation and the City's Grants Manager serves as Executive Director of the organization.

Combining financial statements for the discretely presented component units are included in the City's basic financial statements. Complete financial statements of the individual component units can be requested from the City's Chief Financial Officer.

**Proprietary Fund Type**

**Bowling Green Municipal Utilities (BGMU).** Board member appointments are made by the City Commission. The Electric Division is a distributor of electrical power under the authority of the Federal Energy Regulatory Commission and the Tennessee Valley Authority and provides service to customers primarily in the city. The Electric Division has erected various street lighting systems for the City for which monthly rental amounts are paid to the utility by the City based on a percentage of total unamortized investment.

## CITY OF BOWLING GREEN, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

The Water-Sewer Division operates the water treatment and the waste-water treatment facilities serving customers primarily in the City. The rates for user charges and bond issuance authorization are approved by the City Commission.

The General Services Division operates the fiber optic network in the City.

**B. Related Organization** - City officials are also responsible for appointing the members of boards of other organizations but the City's accountability for these organizations does not extend beyond making the appointments.

#### **C. Basic Financial Statements**

##### **Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The reporting model focus is either on the City as a whole or on major individual funds. The government-wide financial statements report information on all of the non-fiduciary activities of the City and its component units. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities normally are supported by taxes and intergovernmental revenues. Business-type activities rely to a significant extent on fees and charges for support. In the Government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis by column.

The Government-wide Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital-specific. Occupational license fees applied to gross wages and net profits, other license fees and permits, taxes, interest income and other revenues not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Non-major funds (by category) are summarized into a single column.

##### **Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary financial statements. With this measurement focus, all assets and all liabilities including long-term assets as well as long-term debt and obligations, are included in the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the City, available means expected to be

## CITY OF BOWLING GREEN, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

received within sixty days of year end. Major revenue sources not susceptible to accrual include charges for services, penalties and fines, and miscellaneous revenues. Such revenues are recorded as revenues when received because they are generally not measurable or available until actually received. Intergovernmental revenues received for specific purposes or projects are recognized when the applicable eligibility requirements are met. Revenues received before the eligibility requirements are met are reported as deferred revenue. Expenditures are recorded when the liability is incurred except: (1) principal and interest on long-term debt is recorded when due and (2) compensated absences are accounted for as expenditures in the period used.

Since the Government fund statements are presented on a different measurement focus and basis of accounting than the Government-wide statements' governmental column, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund based financial statements into the Governmental column of the Government-wide presentation.

Internal service funds provide services primarily to other funds of the City and are presented in summary form as part of the proprietary fund statements. Since the principal users of the internal services are the City's governmental activities, the internal service funds' financial statements are consolidated into the Governmental column in the Government-wide statements. To the extent possible, the costs of these services are reflected in the appropriate functional activity.

The City's fiduciary funds are presented in the fund financial statements by type (pension and agency). Since these assets are being held for the benefit of a third party (private parties, pension participants, etc.) and cannot be used for activities or obligations of the City, these funds are not incorporated into the Government-wide statements.

#### D. Basis of Presentation

The financial statements of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are reported by generic classification within the financial statements.

In accordance with GASB Statement No. 34, major funds are determined by the percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined. Any other governmental or enterprise funds that the City believes is particularly important to financial statement users may also be reported as major. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The focus of governmental fund measurement (in the fund financial statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. The balance sheets generally contain only current assets and liabilities. The reported fund balance (net current assets) is a measure of "available spendable resources". The City reports the following major governmental funds:

The **General Fund** is the primary operating unit of the City and accounts for the revenues and expenditures not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services and general administration are reported in this fund.

The **WKU Athletics Special Revenue Fund** is used to account for revenues received from Western Kentucky University (WKU) consisting of student athletic fees and suite rentals collected by WKU

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

and remitted to the City pursuant to the Memorandum of Agreement between the City, WKU and the Hilltopper Athletic Foundation. The student athletic fees and suite rentals are to be paid to the City each year in sufficient amounts to pay debt services on the City's \$30,115,000 General Obligation and Special Revenue Bonds, Series 2002B and \$1,800,000 General Obligation and Special Revenues Bonds, Series 2002C.

The **Debt Service Fund** is used to account for the accumulation of resources and payments made for principal and interest on long-term general obligation debt governmental funds.

The **Special Revenue Fund** accounts for the receipts of intergovernmental funds that are restricted for operational and capital use of a particular function.

The focus of proprietary fund measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. All assets and all liabilities associated with the operation of these funds are included on the balance sheet. The City reports the following major proprietary funds:

The **Golf Course Fund** is used to account for the operations of the City's public golf courses.

The **Aquatics Fund** is used to account for the operations of the City's public swimming pool.

The **Convention Center Fund** is used to account for the operations of the City's Sloan Convention Center.

**Internal Service Funds** are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on user charge basis. Internal Service Funds include the Fleet Maintenance Fund, Employee Health Care Fund and Workers Compensation Fund.

**Fiduciary Funds** are used to account for assets on behalf of outside parties, including other governments, or on behalf of other funds within the City. Trust funds account for assets held by the City under the terms of a formal trust agreement. Agency funds generally are used to account for assets that the City holds on behalf of others as their agent, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are as follows:

**The City of Bowling Green Policemen and Firemen's Retirement Fund**, a pension trust fund, is used to account for the accumulation of resources to be used for retirement annuity payments for retired or disabled public safety employees.

**Agency Funds**

**Claims Fund** is an imprest paying agent for all government funds.

**Payroll Fund** is an imprest paying agent for City payroll.

**Tourist and Convention Fund** is used to account for the collection of 3% hotel, motel transient room tax and payment to the Bowling Green Area Convention and Visitors Bureau.

**Tax Distribution Fund** is used to account for property tax collections and disbursements to the General Fund and the Bowling Green Independent School System for property taxes billed and collected by the City on its behalf.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

**Treasurer's Distribution Fund** is used to account for collection of miscellaneous receipts requiring disbursement to two or more City funds.

**CDGB - Agency Leave Accrual Fund** is used to account for current year funding of Community Development personnel accrued leave.

**Special Employee/Explorer Fund** is used to account for revenues and disbursements used for special employee activities.

**E. Budgetary Control and Encumbrances**

**Budget Policy** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt service and capital projects funds. The City adopts an annual appropriation budget for a single Debt Service Fund covering all government debt service activities. A budget is not prepared for the City's permanent fund.

**Legal Compliance** - All agencies of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the part year, current year estimates, and requested appropriations for the next fiscal year.

Before June 1<sup>st</sup>, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings to obtain taxpayer comments. Prior to July 1<sup>st</sup>, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission.

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.

**Encumbrances** - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances in the governmental funds and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Encumbrances are not recorded in the financial statements for proprietary, internal service and fiduciary fund types. However, the following funds had purchase orders outstanding at June 30, 2006 as follows:

Golf Fund	\$ 5,812
Convention Center Fund	33,620
Aquatics	1,232
Workers Compensation	5,195
Employee Health Care Trust	7,451

**F. Assets, Liabilities and Fund Equity**

**Deposits and Investments** - The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Some of the cash resources of the individual funds are combined to form a pool of

## CITY OF BOWLING GREEN, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

cash for cash management purposes. Interest income earned as a result of pooling, is distributed to the appropriate funds based on the ending monthly balance of pooled cash in each fund. Funds that incur a negative balance in pooled cash during the year are not charged interest. No reclassification has been made at year end for negative balances of pooled cash.

Investments for the government, as well as its component units, are reported at fair value.

**Receivables** - Receivables are amounts due representing revenues earned or accrued in the current period.

Property taxes attach as an enforceable lien on property as of January 1 each year. Property values are assessed on January 1 of each year, taxes are levied annually by ordinance, and are payable on December 31. The City bills and collects its own property taxes and also taxes for the City School District. Collections of the City school taxes and remittance to the District are accounted for in the Tax Distribution Fund. City property tax revenues are recognized when levied to the extent that they are both measurable and available.

A receivable is reported for uncollected property taxes. Since these taxes are all at least six months delinquent at June 30 an allowance for uncollectible accounts has been established for the entire amount.

**Interfund Receivables** - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide financial statements as "internal balances".

**Inventories** - Inventories are valued at cost, which approximate market, using the first-in/first-out (FIFO) method. The costs of inventory items are recognized as expenditures or expenses when used.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

**Restricted Assets** - Certain proceeds of bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures. Construction fund accounts are used to report proceeds of general obligation and revenue bonds and notes that are restricted for use in construction and capital acquisitions. Depreciation and Maintenance accounts are the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies related to bond obligation projects. Sinking Fund accounts are the resources accumulated for debt service payments.

**Capital Assets** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide financial statements. Expenditures for items having a useful life greater than one year and having a cost greater than \$2,500 are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value and recorded as donations at the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and improvements	40 years	30 - 50 years
Improvements other than buildings	15 years	10 - 35 years
Machinery and equipment	3 - 7 years	5 - 10 years
Vehicles	5 - 7 years	5 - 7 years

The City's infrastructure consists of the street system, which consists of streets and right of way subsystems, sidewalks, curbs and gutter system and storm sewers system. The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its street system. The City performed a physical condition assessment of its street system as of June 30, 2004. Using this approach, the City capitalizes the costs of its street system but does not report depreciation expense for those assets. Instead, the City reports all street system maintenance expenditures as expenses in the period incurred unless those expenditures improve on those streets original condition to add to its capacity. These additions or improvements are not expensed but added to the historical cost of the assets. The City uses an asset management system to provide an up-to-date inventory of its streets, performs condition assessments on the street pavement at least once every three years, and estimates an annual amount needed to maintain the streets at a specified condition level. The asset management system is discussed in the detail in Required Supplemental Information, immediately following these notes.

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is earned based on working days for each month of credited service. For most classified employees, earning rates increase at 10, 15 and 20 years of credited service. Accumulated vacation time shall not exceed the amount of time which an employee may earn in 2 years.

Sick leave for most classified employees is earned on the basis of one working day or eight hours per month of service. Sick leave for Fire Department personnel working 24 hours/48 hours off is earned on the basis of 12 hours per month of service. Earned sick leave may be accumulated up to a maximum of 180 days; thereafter, employees are compensated as of December 31 for days accumulated in excess of 180 days in an amount equal to one-half of the base rate straight-time value. For retiring employees who are participating members of CERS, the City will purchase service credit for up to six months (120 days) of unused sick leave at the time of retirement. Employees who retire with more than 120 accrued sick days may receive cash payment for the number of days over 120 in the amounts of \$25/day.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations** – In the Government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Assets. The discounts, premiums and issuance costs related to bonds and notes issued are deferred and amortized over the life of the bond or note using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or

## CITY OF BOWLING GREEN, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Extraordinary losses, the difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt are amortized as a component of interest expense over the life of the old or new bonds, whichever is shorter, using the straight-line method. The deferred amount is offset against the new liability.

Long-term liabilities include the following:

- Principal outstanding on general obligation bonds, notes and capital lease obligations.
- Landfill closure and postclosure care liability is the estimated total current cost to place a final cover on the City's landfill sites and to perform certain maintenance and monitoring functions after closure.

**Interest Rate Swap Agreement** - The City enters into interest swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures or income resulting from these agreements, no amounts are recorded in the financial statements.

**Deferred Revenues** – The City defers revenue recognition in connection with resources that have been received but not yet earned. At the end of fiscal year 2006, licenses and permits paid in advance of \$170,785 have been deferred. In addition, \$858,836 in accounts and loans receivable have been recorded as deferred revenue as these amounts have not yet been earned.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources and include \$2.8 million set aside in anticipation of the issuance of general obligation bonds during fiscal year 2007 and \$7.7 million set aside to comply with the City's minimum reserve retention policy. In proprietary funds, reserves are used to indicate the portion of net assets that are restricted for meeting various covenants as may be specified and defined in the revenue bond indentures.

**Prior Period Adjustment** – During 2006 three prior period adjustments were required in relation to capital assets. The first was to restate the beginning balance of infrastructure due to an error in calculating the historical value of the street system. This error resulted in the understatement of infrastructure by \$3,989,065. The remaining adjustments were to correct the beginning balance of construction in progress which was overstated by \$2,202,086 and to correct the beginning balance of accumulated depreciation which was overstated by \$945,988.

#### **G. Revenues, Expenditures and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities.

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

Interfund transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the City are similarly treated when involving funds of the City. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the reimbursed fund. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as interfund transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the Government-wide columnar presentation.

**H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Compliance with Finance Related Legal and Contractual Provisions**

The City has no material violations of finance related legal and contractual provisions.

**B. Excess of Expenditures over Appropriations** - The following funds that have budgets adopted annually had excess expenditures over appropriations for the fiscal year ended June 30, 2006:

	<u>Excess Expenditures</u>
Fleet Maintenance	\$ 63,177
Community Development	83,293
Municipal Aid	410,954
Trunking Operation	42,319
Neighborhood Grant	13,576
Parks Community Center	559,129
14 <sup>th</sup> Street Construction	21,257
Southwest Corridor	319,043
Road Construction	445,761
Police Headquarters Expansion	138,902
Operations Relocation	17,724
Parks Improvements	307,321

**NOTE 3. DETAIL NOTES ON ALL FUNDS**

**A. Cash and Investments**

**Primary Government**

The Government's bank balances at June 30, 2006 are entirely insured or collateralized with securities held by the City's agent in the City's name. In accordance with Kentucky Revised Statutes (KRS) 66.480

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

and the Government's investment policy, the Government is allowed to invest in obligations of the U.S. Treasury and U.S. agencies and instruments, repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds or interest bearing deposits of insured national or state banks. In addition, the Fiduciary Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depository Receipts (ADR). Investments of the City as of June 30, 2006 are summarized and categorized below in the following table:

Primary Government (except Fiduciary Funds)		
Investment Type	Fair Value	Weighted Ave Maturity
Certificate of Deposit	\$ 17,728,583	.34
U.S. Agencies	5,935,664	.41
Equities	3,750	n/a
	<u>\$ 23,667,997</u>	

**Interest Rate Risk** - While the government has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy states that unless matched to a specific cash flow need, the City's funds should not, in general, be invested in securities maturing more than one year from the date of purchase.

**Credit Risk** - To limit credit risk, the government has adopted an investment policy to limit investments held at one financial institution to no more than 25% of total investments, excluding money market mutual funds, unless they are fully insured or fully collateralized or they are authorized investment pools.

**Component Units**

The Bowling Green Municipal Utilities may legally invest in direct obligations of and other obligations guaranteed as to principal by the U. S. Treasury and U. S. Agencies and instrumentalities, Kentucky bonds and certificates of indebtedness, highly-rated securities issued by a state or local government in the United States and certain other investments more fully described in the Kentucky Revised Statutes. Investments of each division of the utility as of June 30, 2006 are summarized and categorized in the following tables:

Bowling Green Municipal Utilities Water-Sewer Division		
Investment Type	Fair Value	Maturities in Years Less than 1
Repurchase agreement	\$ 533,088	\$ 533,088
U.S. agencies obligations	1,618,116	1,618,116
U.S. Treasury mutual fund	9,388,525	9,388,525
Government obligation mutual fund	651,883	651,883
	<u>\$ 12,191,612</u>	<u>\$ 12,191,612</u>

Bowling Green Municipal Utilities Electric Division		
Investment Type	Fair Value	Maturities in Years Less than 1
Repurchase agreement	\$ 15,363,361	\$ 15,363,361
U.S. agencies obligations	1,150,268	1,150,268
U.S. Treasury mutual fund	86,247	86,247
	<u>\$ 16,599,876</u>	<u>\$ 16,599,876</u>

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

**Interest Rate Risk** - The U.S. Treasury mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2006, certain of the Utility's investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated by Standard & Poor's and by Moody's Investors Services as AAA. The utility's investment in commercial paper not directly guaranteed by the U.S. Government was rated A-1 by Standard & Poor's and P-1 by Moody's Investors Services.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Utility's investments in repurchase agreements at June 30, 2006 are held by the counterparties in other than the utility's name.

The Utility's bank balances were exposed to custodial credit risk as follows:

<u>Bowling Green Municipal Utilities Water-Sewer Division</u>	
Uninsured and collateral held by pledging financial institution	\$ <u>          -</u>
<u>Bowling Green Municipal Utilities Electric Division</u>	
Uninsured and collateral held by pledging financial institution	\$ <u>  94,723</u>
<u>Bowling Green Municipal Utilities General Services Division</u>	
Uninsured and collateral held by pledging financial institution	\$ <u>  12,279</u>

The Public Library has investments with a fair value of \$51,111 and all cash balances of this component unit were fully insured and collateralized as of June 30, 2006.

**B. Restricted Assets**

**Governmental Activities**

**2004A and 2004B General Obligation Bonds** – for the 2004A bonds, construction fund accounts were established for the payment of costs associated with the demolition and construction of the Parks Community Center, renovation and expansion of the police department headquarters, building improvements for the public works facility, construction of the Hobson Grove golf course pro shop and maintenance facility and various road improvements. For the 2004B bonds, a construction fund account was established for the payment of costs associated with the purchasing and clearing of properties in the Revitalization Project target area. During 2005, the Commission voted to change the use of these funds. It was decided to use the money for the same purpose as the 2004A money in the Parks Community Center fund and the restricted assets were transferred from the Downtown Retail Development Fund to the Parks Community Center Fund. Remaining assets restricted for these purposes are reported in the following funds:

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Parks Community Center – 2004A	\$ 3,433,240
Parks Community Center – 2004B	582,536
Debt Service sinking fund – 2004A	120
Debt Service sinking fund – 2004B	22

**Section 8 Program** - assets totaling \$36,612 are reported in the Community Development Special Revenue Fund and consist of an escrow account restricted to the Federal Section 8 grant program.

**Cemetery Perpetual Fund** - assets totaling \$561,341 are reported in the Cemetery Perpetual Fund as these assets are restricted cemetery maintenance.

**BB&T capital lease obligation** - unspent proceeds of a capital lease to be used for relocation of the operations division and the realignment of 14<sup>th</sup> Avenue. Restricted assets are included in the following funds:

14 <sup>th</sup> Street Construction	\$ 378,866
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**Component Units**

Restricted assets of the component units consist of sinking funds established for the payment of bond principal and interest; depreciation and maintenance funds established for the costs of extraordinary maintenance, repairs, renewals or replacements; and construction funds related to bond projects. Component units' restricted assets are as follows:

Bowling Green Municipal Utilities Electric Division has the following restricted assets:

Sinking Fund	\$ 9,974,974
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Bowling Green Municipal Utilities Water-Sewer Division has the following restricted assets:

Sinking Funds	\$ 1,074,614
Utility Depreciation Fund	1,505,525
Maintenance and Replacement Reserve -	591,646
Water Treatment Plant	
2004 Bond Construction Fund	603,739

**Unrestricted Assets** represent unrestricted liquid assets. While Government management may have categorized and segmented portions for various purposes, the Commission has the unrestricted authority to revisit or alter these management decisions.

**CITY OF BOWLING GREEN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**C. Loans Receivable**

The Community Development Special Revenue Fund has loans receivable pursuant to Commonwealth of Kentucky, Department of Local Government grant agreements and City revolving loan fund agreements, which provided Community Development Block Grant and local program income funds for the above economic development projects in the City.

Loans receivable at June 30, 2006 consist of the following:

Eagle Industries, Inc. promissory note receivable in 104 monthly installments of \$3,375; thereafter receivable in 60 installments of \$3,922 including interest at 4%; final installment is due June 1, 2007. This note is secured by real estate.	\$ 46,066
Houchens Warehousing, Inc. promissory note receivable in 144 monthly installments of \$6,172 including interest at 4%; final installment due June 1, 2013. This note is secured by real estate.	451,573
Clay Street Station, LLC promissory note receivable in 180 installments of \$2,682 including interest at 3.5%; final balloon payment of \$147,364 due June 1, 2014. This note is secured by real estate.	<u>337,302</u>
Total loans receivable	<u>\$ 834,941</u>

**CITY OF BOWLING GREEN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005 (restated)	Increases	Decreases	Balance June 30, 2006
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,114,173	\$ 1,475,866	\$ (77,500)	\$ 14,512,539
Infrastructure	50,879,737	3,867,380	-	54,747,117
Construction in progress	467,755	2,087,310	-	2,555,065
Total capital assets, not being depreciated	<u>64,461,665</u>	<u>7,430,556</u>	<u>(77,500)</u>	<u>71,814,721</u>
Capital assets, being depreciated:				
Buildings	28,105,866	246,733	-	28,352,599
Improvements other than buildings	7,726,738	102,671	-	7,829,409
Furniture and equipment	15,923,075	1,522,894	(819,245)	16,626,724
Total capital assets, being depreciated	<u>51,755,679</u>	<u>1,872,298</u>	<u>(819,245)</u>	<u>52,808,732</u>
Less accumulated depreciation:				
Buildings	(6,223,967)	(708,801)	-	(6,932,768)
Improvements	(1,418,062)	(269,775)	5,163	(1,682,674)
Furniture and equipment	(10,448,577)	(1,552,746)	801,989	(11,199,334)
Total accumulated depreciation	<u>(18,090,606)</u>	<u>(2,531,322)</u>	<u>807,152</u>	<u>(19,814,776)</u>
Total capital assets, being depreciated, net	<u>33,665,073</u>	<u>(659,024)</u>	<u>(12,093)</u>	<u>32,993,956</u>
Governmental activities, capital assets, net	<u>\$ 98,126,738</u>	<u>\$ 6,771,532</u>	<u>\$ (89,593)</u>	<u>\$ 104,808,677</u>
<b>Business-type assets:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,740,298	\$ -	\$ -	\$ 2,740,298
Construction in progress	-	142,054	-	142,054
Total capital assets, not being depreciated	<u>2,740,298</u>	<u>142,054</u>	<u>-</u>	<u>2,882,352</u>
Capital assets, being depreciated:				
Buildings	11,498,232	117,886	(8,175)	11,607,943
Improvements other than buildings	11,063,429	37,136	(2,811)	11,097,754
Furniture and equipment	2,613,204	37,724	(293,646)	2,357,282
Property held under capital lease	333,137	-	-	333,137
Total capital assets, being depreciated	<u>25,508,002</u>	<u>192,746</u>	<u>(304,632)</u>	<u>25,396,116</u>
Less accumulated depreciation:				
Buildings	(3,217,881)	(360,249)	8,175	(3,569,955)
Improvements	(3,709,389)	(441,326)	-	(4,150,715)
Furniture and equipment	(2,161,723)	(107,216)	282,787	(1,986,152)
Property held under capital lease	(130,096)	(7,431)	-	(137,527)
Total accumulated depreciation	<u>(9,219,089)</u>	<u>(916,222)</u>	<u>290,962</u>	<u>(9,844,349)</u>
Total capital assets, being depreciated, net	<u>16,288,913</u>	<u>(723,476)</u>	<u>(13,670)</u>	<u>15,551,767</u>
Business-type activities, capital assets, net	<u>\$ 19,029,211</u>	<u>\$ (581,422)</u>	<u>\$ (13,670)</u>	<u>\$ 18,434,119</u>

**CITY OF BOWLING GREEN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 225,841
Public safety	1,028,267
Public works	573,632
Parks and recreation	598,624
Housing and community development	86,136
Community services	8,684
Miscellaneous	<u>10,138</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 2,531,322</u></u>
 <b>Business-type activities</b>	
Golf course	\$ 289,974
Aquatics	313,912
Convention Center	<u>312,336</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 916,222</u></u>

Component unit capital asset activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
<b>Bowling Green Municipal Utilities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 13,746,058	\$ 5,169,730	\$ (584,774)	\$ 18,331,014
Capital assets, being depreciated:				
Transmission plant	1,676,329	213,749	(7,251)	1,882,827
Distribution plant	49,272,265	3,723,594	(327,736)	52,668,123
Structures and improvements, nodes	225,827	21,004	-	246,831
General plant	11,108,938	393,035	(93,391)	11,408,582
Water plant	47,433,689	610,017	(407,790)	47,635,916
Sewer plant	44,855,331	734,490	-	45,589,821
Equipment	2,460,342	84,086	-	2,544,428
Overhead conductors and devices	2,640,665	204,034	-	2,844,699
Trucks and autos	1,193,230	171,701	(76,741)	1,288,190
Office equipment	1,288,646	93,227	(32,469)	1,349,404
Office additions	65,716	-	-	65,716
Total capital assets, being depreciated	<u>162,220,978</u>	<u>6,248,937</u>	<u>(945,378)</u>	<u>167,524,537</u>
Less accumulated depreciation	<u>(69,239,446)</u>	<u>(5,134,211)</u>	<u>798,505</u>	<u>(73,575,152)</u>
 Total capital assets, being depreciated, net	 <u>92,981,532</u>	 <u>1,114,726</u>	 <u>(146,873)</u>	 <u>93,949,385</u>
 Bowling Green Municipal Utilities, capital assets, net	 <u>\$ 106,727,590</u>	 <u>\$ 6,284,456</u>	 <u>\$ (731,647)</u>	 <u>\$ 112,280,399</u>

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
<b>Bowling Green Public Library</b>				
Capital assets, not being depreciated:				
Land	\$ 218,274	\$ -	\$ -	\$ 218,274
Capital assets, being depreciated:				
Buildings	1,976,840	-	-	1,976,840
Equipment	1,446,980	71,644	-	1,518,624
Book collections	1,306,832	156,822	(165,852)	1,297,802
Total capital assets, being depreciated	<u>4,730,652</u>	<u>228,466</u>	<u>(165,852)</u>	<u>4,793,266</u>
Less accumulated depreciation	<u>(2,457,482)</u>	<u>(413,743)</u>	<u>165,852</u>	<u>(2,705,373)</u>
 Total capital assets, being depreciated, net	 <u>2,273,170</u>	 <u>(185,277)</u>	 <u>-</u>	 <u>2,087,893</u>
 Bowling Green Public Library, capital assets, net	 <u>\$ 2,491,444</u>	 <u>\$ (185,277)</u>	 <u>\$ -</u>	 <u>\$ 2,306,167</u>

**E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

Receivable fund	Payable fund	Amount
General	Golf	\$ 200,000
	Nonmajor Governmental	<u>110,000</u>
		<u>\$ 310,000</u>
Nonmajor governmental	Agency	<u>\$ 11,617</u>

**Interfund transfers:**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statutes or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF BOWLING GREEN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

The following schedule briefly summarizes the City's transfer activity:

<b>Transfer In</b>	<b>Transfer Out</b>					<b>Total</b>
	<b>General</b>	<b>WKU Athletics</b>	<b>Convention Center</b>	<b>Nonmajor Governmental</b>	<b>Internal Service</b>	
General	\$ -	\$ -	\$ -	\$ -	\$200,000	\$ 200,000
Debt service	3,653,932	1,537,811	-	1,715,966	-	6,907,709
Golf	548,856	-	105,088	449,443	-	1,103,387
Aquatics	-	-	-	454,429	-	454,429
Convention Center	-	-	-	865,773	-	865,773
Nonmajor governmental	2,062,416	-	-	32,000	-	2,094,416
Internal service	127,500	-	-	-	-	127,500
<b>Total</b>	<b>\$ 6,392,704</b>	<b>\$ 1,537,811</b>	<b>\$ 105,088</b>	<b>\$ 3,517,611</b>	<b>\$200,000</b>	<b>\$11,753,214</b>

**F. Long-term Debt**

Revenue bonds and other directly related long-term liabilities, which are intended to be paid from proprietary funds, are included in the accounts of such funds. All other long-term indebtedness is accounted for in the Governmental column of the Government-wide Statement of Net Assets.

# CITY OF BOWLING GREEN, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

### Primary Government:

Purpose of Issue	Original Issue	Interest Rate	Final Maturity	Amount Outstanding	
<b>Governmental Activities</b>					
<b>General Obligation and Revenue Bonds</b>					
Lease Revenue Bond, Series 1995	\$ 2,365,000	3.9% - 5.4%	November 1, 2015	\$ 1,465,000	
Lease Revenue Bond, Series 1996A	840,000	3.75% - 5.5%	October 1, 2006	565,000	
Lease Revenue Bond, Series 1996B	1,115,000	3.75% - 4.9%	October 1, 2006	130,000	
Lease Revenue Bond, Series 1997A	1,560,000	4.1% - 4.7%	June 1, 2007	190,000	
General Obligation Bond, Series 1998A	2,180,000	4.125%	October 1, 2018	1,610,000	
				Road Construction, Fire Stations, Flood Mitigation,	
General Obligation Bond, Series 2000	12,627,000	5.25% - 5.30%	June 1, 2020	11,637,228	
General Obligation Bond, Series 2002A	6,430,000	1.9% - 4.7%	June 30, 2018	5,135,000	
General Obligation Bond, Series 2002B	30,115,000	3.5% - 5.0%	June 1, 2026	30,115,000	
General Obligation Bond, Series 2002C	1,800,000	5.875% - 6.5%	June 1, 2026	1,800,000	
				Parks Community Center, Police Dept. Headquarters,	
				Public Works Renovations, Parks & Cemetery	
General Obligation Bond, Series 2004A	12,626,000	2.422% - 4.792%	June 30, 2024	11,761,332	
General Obligation Bond, Series 2004B	2,025,000	3.8% - 5.050%	June 30, 2024	1,905,000	
Warren County Water District 2003 Bond	165,954	3.70%	July 1, 2025	148,250	
Discount on bond obligations				(1,479)	
Premium on bond obligations				213,484	
<b>Total General Obligation and Revenue Bonds</b>				<b>66,673,815</b>	
<b>Notes and Lease Purchase Agreements</b>					
National City Bank	1997 Pierce Arrow rescue pumper	256,639	82% of LIBOR	August 13, 2007	51,328
First American National Bank	Traffic signal	227,000	4.94%	May 26, 2009	95,481
First American National Bank	1999 Pierce Quint fire truck	425,000	5.25%	September 15, 2009	170,000
National City Bank	Beautification facility	300,000	5.99%	May 19, 2010	131,649
Farmers National Bank	2 vehicles, refurbish fire station	164,500	70% of Prime	June 12, 2008	59,270
National City Bank	Various vehicles & equipment	386,000	2% + Prime	July 5, 2008	231,600
National City Bank	Computer equipment	252,000	Prime - 1.65%	December 5, 2006	84,000
Bank One	2001 Fleet lease	1,045,000	4.889%	February 16, 2008	326,742
Bank One	Various vehicles & equipment	765,000	2.4438%	March 5, 2010	512,552
National City Bank	2004 fire truck ladder	713,000	Prime - 1.67%	December 5, 2013	570,200
BB&T	Cave Mill Road and Dishman Lane	212,000	4.69%	June 29, 2014	176,997
KY League of Cities	Pay off various leases & notes	3,253,840	Variable	July 15, 2010	1,695,043
KY Municipal Finance Corp	Land purchase	305,000	Variable	July 15, 2010	155,000
	Relocation of operations division & realignment of				
BB&T	14th Avenue	1,630,000	10 yr LIBOR	July 2, 2025	1,630,000
BB&T	Purchase fire pumper	387,000	3.59%	July 2, 2015	387,000
US Bank	Depot project	1,000,000	5.649%	June 7, 2018	763,666
Huntington National Bank	Purchase Kyocera equipment	175,737	3.17%	March 30, 2008	119,010
Huntington National Bank	Purchase various 2005 Ford vehicles	1,145,857	3.14%	March 22, 2011	969,485
<b>Total Notes Payable and Capital Leases</b>					<b>8,129,023</b>
<b>Other Long-Term Liabilities</b>					
					Compensated Absences
					1,330,262
					Landfill
					697,500
					<u>2,027,762</u>
<b>Total long-term governmental liabilities</b>					<b>\$ 76,830,600</b>
<b>Business-Type Activities</b>					
<b>General Obligation Bonds</b>					
General Obligation Bond, Series 1998B	Crosswinds Municipal Golf Course	3,420,000	3.75%	October 1, 2009	\$ 1,395,000
General Obligation Bond, Series 2000	Aquatics	4,623,000	5.25% - 5.30%	June 1, 2020	4,412,772
General Obligation Bond, Series 2003	Crosswinds Pro Shop/Conv. Cntr Facility	8,585,000	2.0% - 3.7%	June 30, 2019	7,860,000
General Obligation Bond, Series 2004A	Hobson Golf Pro Shop and maintenance facility	749,000	3.8% - 5.050%	June 30, 2024	698,669
Premiums, deferred changes and discounts on bond obligations					(840,322)
<b>Total General Obligation Bonds</b>					<b>13,526,119</b>
<b>Notes Payable and Capital Leases</b>					
KY League of Cities	Crosswinds fence & golf equipment	306,160	Variable	July 15, 2010	159,186
US Bank	Golf carts	149,000	2.35%	April 28, 2008	74,500
<b>Total Notes Payable and Capital Leases</b>					<b>233,686</b>
<b>Other Long-Term Liabilities</b>					
					Compensated Absences
					43,070
<b>Total long-term business-type liabilities</b>					<b>\$ 13,802,875</b>

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Amounts due In one year
<b>Governmental Activities:</b>					
General obligation and revenue bonds	\$ 68,472,771	\$ -	\$ (2,010,961)	\$ 66,461,810	\$ 2,214,417
Notes and lease purchase agreements	9,630,041	-	(1,501,018)	8,129,023	1,579,535
Adjustments for deferred amounts:					
Discount on bonds payable	(1,561)	-	82	(1,479)	-
Premium on bonds payable	225,344	-	(11,860)	213,484	-
<b>Total bonds, notes, leases payable</b>	<b>78,326,595</b>	<b>-</b>	<b>(3,523,757)</b>	<b>74,802,838</b>	<b>3,793,952</b>
Compensated absences	1,264,348	65,914	-	1,330,262	-
Landfill postclosure care	1,377,862	-	(680,362)	697,500	90,000
<b>Total governmental activities</b>	<b>80,968,805</b>	<b>65,914</b>	<b>(4,204,119)</b>	<b>76,830,600</b>	<b>3,883,952</b>
<b>Business Type Activities</b>					
General obligation and revenue bonds	15,335,560	-	(969,119)	14,366,441	980,665
Notes and lease purchase agreements	318,668	-	(84,982)	233,686	80,250
Compensated absences	41,659	1,411	-	43,070	-
Less: unamortized bond discount and deferred amount from refunding	(927,152)	-	(11,621)	(938,773)	-
<b>Total business-type activities</b>	<b>14,768,735</b>	<b>1,411</b>	<b>(1,065,722)</b>	<b>13,704,424</b>	<b>1,060,915</b>
<b>Total governmental and business-type activities</b>	<b>\$ 95,737,540</b>	<b>\$ 67,325</b>	<b>\$ (5,269,841)</b>	<b>\$ 90,535,024</b>	<b>\$ 4,944,867</b>
	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Amounts due In one year
<b>Component Units</b>					
Bowling Green Municipal Utilities					
Water-Sewer Division					
Notes payable	\$ 21,563,551	\$ -	\$ (1,277,968)	\$ 20,285,583	\$ 1,168,532
Electric Division					
Revenue bonds	6,645,000	8,000,000	(700,000)	13,945,000	850,000
General Services Division					
Notes payable	5,000,000	-	-	5,000,000	-
Less: unamortized bond discount	(231,066)	(172,896)	51,814	(352,148)	-
<b>Total component units</b>	<b>\$ 32,977,485</b>	<b>\$ 7,827,104</b>	<b>\$ (1,926,154)</b>	<b>\$ 38,878,435</b>	<b>\$ 2,018,532</b>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$16,064 of internal service fund compensated absences are included in the above amounts. Landfill postclosure liabilities are liquidated by the Landfill Closure special revenue fund and governmental compensated absences are generally liquidated by the general fund.

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

Debt service requirements (principal and interest) to maturity for the Primary Government's bonds and notes are as follows:

Fiscal Year	Governmental Activities				Business-Type Activities			
	General Obligation and Revenue Bonds		Notes and Lease Purchase Agreements		General Obligation and Revenue Bonds		Notes and Lease Purchase Agreements	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2007	\$ 3,089,501	\$ 2,214,417	\$ 281,852	\$ 1,579,535	\$ 549,523	\$ 980,665	\$ 5,866	\$ 80,250
2008	3,003,118	2,118,735	227,288	1,524,064	515,690	1,097,842	3,695	80,250
2009	2,918,262	2,353,776	174,932	1,142,707	479,125	1,110,908	1,674	32,680
2010	2,821,877	2,607,341	136,317	1,091,043	440,325	1,124,337	697	32,680
2011	2,713,525	2,863,090	101,978	606,728	405,332	863,720	20	7,826
2012-2016	11,490,720	17,950,484	314,667	1,286,227	1,491,212	5,014,162	-	-
2017-2021	6,965,606	20,147,111	124,805	505,703	408,640	4,020,738	-	-
2022-2026	2,362,164	16,206,856	43,323	393,016	14,777	154,069	-	-
2027-2031	-	-	-	-	-	-	-	-
	<u>\$ 35,364,773</u>	<u>\$ 66,461,810</u>	<u>\$ 1,405,162</u>	<u>\$ 8,129,023</u>	<u>\$ 4,304,624</u>	<u>\$ 14,366,441</u>	<u>\$ 11,952</u>	<u>\$ 233,686</u>

**Component Units**

Principal requirements for component units' debt are as follows:

**Summary of Principal Requirements**

Fiscal Year	Bowling Green Municipal Utilities Water-Sewer Division	Bowling Green Municipal Utilities General Services Division	Bowling Green Municipal Utilities Electric Division	Total
2007	\$ 1,168,532	\$ -	\$ 850,000	\$ 2,018,532
2008	1,176,594	-	910,000	2,086,594
2009	1,219,586	-	935,000	2,154,586
2010	1,263,603	5,000,000	955,000	7,218,603
2011	1,309,321	-	985,000	2,294,321
2012-2016	5,299,040	-	2,855,000	8,154,040
2017-2021	4,699,730	-	1,300,000	5,999,730
2022-2026	4,149,177	-	1,380,000	5,529,177
2027-2031	-	-	1,690,000	1,690,000
2032-2036	-	-	2,085,000	2,085,000
Total	<u>\$ 20,285,583</u>	<u>\$ 5,000,000</u>	<u>\$ 13,945,000</u>	<u>\$ 39,230,583</u>

**General Description of the City's General Obligation and Revenue Bonds**

**General Obligation and Revenue Bonds** - The City issues general obligation and revenue bonds to provide funds for the acquisition and construction of capital assets. The general obligation bonds are secured by an irrevocable pledge of the full faith, credit and taxing power of the City. The City has issued the following general obligation and revenue bonds:

1. \$2,365,000 of lease revenue bonds, Series 1995, issued to finance acquisition, construction and installation of a new soccer complex/park.
2. \$840,000 of lease revenue bonds, Series 1996A, issued to finance construction and installation of major renovations of and improvements to a portion of the City's Community Center for use by Community Action of Southern Kentucky, Inc., a non-profit/social service agency.

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

3. \$1,115,000 of lease revenue bonds, Series 1996B, issued to finance the City's Community Center.
4. \$1,560,000 of lease revenue bonds, Series 1997A, issued to finance the acquisition and installation of a new community public safety/public service mobile radio communications system.
5. \$2,180,000 general obligation bonds, Series 1998A, issued to finance construction of the City's Northside Fire Station.
6. \$17,250,000 general obligation bonds, Series 2000, portion of proceeds (73.2%) used to finance construction of Dishman Lane/Cave Mill Road project, Southside and Westside Fire Stations, and a flood mitigation project and energy savings improvements to certain City buildings.

The remainder of the proceeds (26.8%) serviced by the Aquatics Enterprise Fund and issued to finance construction of Preston Miller Park Aquatics Center.

7. \$6,430,000 general obligation bonds, Series 2002A, issued to advance refund the Series 1994 lease revenue bonds and for the acquisition of land for the City police headquarters expansion.
8. \$30,115,000 general obligation and special revenue bonds, Series 2002B, issued to assist in the financing of the renovation, improvement and equipping of certain Western Kentucky University (WKU) athletic and parking facilities subject to a Memorandum of Agreement between the City and WKU (see Memorandum of Agreement below). This bond is secured by the full faith, credit and taxing power of the City and WKU student athletic fees.
9. \$1,800,000 general obligation and special revenue bonds, Series 2002C, issued to provide funds to assist in the financing of the renovation, improvement and equipping of certain WKU athletic and parking facilities subject to a Memorandum of Agreement between the City and WKU (see Memorandum of Agreement below).
10. \$8,585,000 general obligation bonds, Series 2003, serviced by the Convention Center Enterprise Fund and issued to advance refund \$7,860,000 of outstanding Series 1993 Tourism and Economic Development, Inc. mortgage revenue bonds issued to finance the purchase of real estate for a convention center and trade show facility and for Crosswinds municipal golf course pro shop facilities.
11. \$13,375,000 general obligation bonds, Series 2004A, portion of proceeds (94.4%) used to provide funds for the demolition and reconstruction of the Parks Community Center, renovation and expansion of the Police Department headquarters, major building improvements for a relocated Public Works operations facility, improvements to parks and cemetery facilities, and various road improvements.  
  
The remainder of the proceeds (5.6%) serviced by the Golf Enterprise Fund and used for the construction of the Hobson Grove golf course pro shop and maintenance facility.
12. \$2,025,000 general obligation bonds, Series 2004B, issued to finance the City's cost of acquisition and clearing of real properties in the Historic Bowling Green Revitalization Project Target area.

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**Memorandum of Agreement/WKU Project Financing**

In June 2002 the City issued \$30,115,000 General Obligation and Special Revenue Bonds, Series 2002B and \$1,800,000 General Obligation and Special Revenue Bonds, Series 2002C to finance the renovation, improvement and equipping of certain WKU athletic and parking facilities, including the renovation and improvement of E. A. Diddle Arena. The Series 2002C Bonds were issued to finance costs allocated to certain private use facilities (luxury suites) in E. A. Diddle Arena, as renovated, not financed by the 2002B bonds.

Pursuant to a Memorandum of Agreement dated April 15, 2002 and amended by Supplement No. 1 dated June 1, 2002, between the City, WKU and the Hilltopper Athletic Foundation (HAF), WKU and HAF, respectively, pledge to impose and charge student athletic fees and suite rentals during the term of the respective series of bonds sufficient, when transferred to the City, for the payment of principal and interest on the bonds. WKU pledges the student athletic fees to the City for the payment of principal and interest on the Series 2002B bonds and, on a subordinated basis, the Series 2002C bonds, and HAF and WKU pledge the suite rentals (defined as annual luxury suite rentals minus HAF contributions of \$7,500 per suite) to the City for the payment of principal and interest on the Series 2002C bonds. Payments from collected student athletic fees and suite rentals are to be made to the City on or before March 1 and September 1 in each year in amounts sufficient to pay debt service on the Series 2002B bonds and Series 2002C bonds, respectively, to the extent funds are not otherwise provided in the form of capitalized interest and interest earnings in the Series 2002B bond fund and the Series 2002C bond fund. No suite rentals shall be available or used for payment of debt service on the Series 2002B bonds.

The following is a schedule, by year, of future amounts to be provided by WKU pursuant to the Memorandum of Agreement for the retirement of general long-term debt of the City, applicable to the issuance of the \$30,115,000 General Obligation and Special Revenue Bonds, Series 2002B, and \$1,800,000 General Obligation and Special Revenue Bonds, Series 2002C for the WKU Project:

Year Ending June 30,	Principal 2002B	Principal 2002C	Interest 2002B	Interest 2002C	Total
2007	\$ 120,000	\$ 10,000	\$ 1,425,188	\$ 113,062	\$ 1,668,250
2008	275,000	10,000	1,420,988	112,476	1,818,464
2009	425,000	20,000	1,410,675	111,888	1,967,563
2010	590,000	30,000	1,393,675	110,712	2,124,387
2011	755,000	40,000	1,370,075	108,950	2,274,025
2012-2016	5,925,000	325,000	6,249,726	499,512	12,999,238
2017-2021	9,670,000	575,000	4,605,000	374,798	15,224,798
2022-2026	12,355,000	790,000	7,462,050	159,898	20,766,948
	<u>\$ 30,115,000</u>	<u>\$ 1,800,000</u>	<u>\$ 25,337,377</u>	<u>\$ 1,591,296</u>	<u>\$ 58,843,673</u>

As of June 30, 2006 the City has recorded a receivable from WKU and deferred revenue of \$31,915,000 in the WKU Athletics Special Revenue Fund applicable to future revenues to be received from WKU related to the above agreement.

**Fund Depository and Administration Agreement/WKU Project Financing**

On June 1, 2002, the City entered into a Fund Depository and Administration Agreement with the Finance and Administration Cabinet of the Commonwealth of Kentucky (FAC) applicable to the WKU project. The WKU project is and will be the property of the Commonwealth of Kentucky for the benefit of WKU and all contracts for the construction, acquisition and installation of the project are awarded, administered and

## CITY OF BOWLING GREEN, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

carried out by the FAC through its Department for Facilities Management and its Office of Financial Management as a State-administered capital construction project.

On June 28, 2002 (bond closing date) the City, pursuant to Fund Depository and Administration Agreement, transferred to the State Treasurer the net proceeds of the 2002B bonds (\$28,235,432) and 2002C bonds (\$1,670,716) for deposit to FAC-administered capital construction accounts. The transfers to the State of Series 2002B and 2002C bond net proceeds totaling \$29,906,148 were accounted for as expenditures in the WKU Athletic Special Revenue Fund in fiscal year 2002.

In fiscal years subsequent to the transfer of bond net proceeds to the State, the City will not account for construction expenditures of the project and will not include State-administered construction accounts as assets of the City. The WKU project will be property of the Commonwealth of Kentucky for the benefit of WKU.

#### **Prior Year Defeasance of Debt**

In a prior year the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2006, \$7,360,000 of bonds outstanding are considered defeased.

#### **Derivative Instruments**

On February 21, 2003, the City entered into interest rate swap agreements with Bank of America N.A. and Morgan Stanley Capital Services, Inc. for \$15,000,000 (initial nominal amount) of its fixed rate 2000 Series general obligation bonds. The swap agreements were effective March 6, 2003, terminate on June 1, 2020, and provide for declining notional amounts during the term of the agreements.

Based on terms of the Bank of America N.A. swap agreement, the City owes interest based on the BMA Municipal Swap Index, plus 1.73% (4.62% weighted average interest rate, inclusive of spread, for period ending June 1, 2006), subject to a maximum (cap) rate of 6.5% for the period from June 1, 2003 to June 1, 2008. In return, Bank of America N.A. owes the City interest based on fixed rates of 5.28152% to 5.3% during the specified periods of the swap agreement. The swap agreement had a negative fair value of \$568,050 as of June 30, 2006.

Based on terms of the Morgan Stanley swap agreement, the City owes interest based on the BMA Municipal Swap Index (2.89% weighted average interest rate for period ending June 1, 2006) and Morgan Stanley owes the City interest based on a floating rate option of 81.45% times the one month U. S. LIBOR rate (3.44% interest rate for period ending June 1, 2006). The swap agreement had a positive fair value of \$413,412 as of June 30, 2006.

The City entered into the swap agreements to hedge its interest rate risk with respect to its outstanding City of Bowling Green, Kentucky General Obligation Bonds, Series 2000 to benefit from a favorable interest rate market for variable rate debt. A termination of either swap agreement may result in the City making or receiving a termination payment. Only the net different in interest payments is actually exchanged with the counterparty. Interest payment dates are June 1 and December 1 commencing June 1, 2003. The Bank of America swap agreement resulted in the City receiving net interest payments of \$75,997 and \$25,766 for December 1 and June 1 interest payment dates, respectively. The City remitted net interest payments of \$34,842 and \$44,001 for December 1 and June 1 interest payment dates, respectively, applicable to the Morgan Stanley swap agreement.

## CITY OF BOWLING GREEN, KENTUCKY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

#### **Landfill Closure and Postclosure Care Cost**

Landfill closure and post-closure costs are accounted for in the Landfill Closure Special Revenue Fund. As of June 30, 2006, the cash available totaled \$1,009,409. In August 2005, the City began a non-exclusive franchise agreement with Monarch Waste for operation of the City's transfer station on Preston Avenue. Under the terms of the agreement, the City receives an annual franchise fee of \$20,000 per month for three years. This revenue is used to defray landfill closure costs at all three landfill sites.

The estimated of present value of remaining closure and post-closure care liabilities for all three landfill sites as of June 30, 2006 is \$697,500. The actual cost may differ due to inflation, changes in technology or applicable laws and regulations, the extent of any damage to landfill caps caused by weather and erosion, the magnitude of site improvements or corrections required by state inspectors to achieve closure, or other unforeseeable circumstances (e.g. acts of nature). In 2005, the Cabinet began a program of assuming financial responsibility for jurisdictions' most significant landfill closure costs.

#### *Glen Lily Road Landfill*

The City's Glen Lily Road landfill was closed in 1981. On March 30, 1990, the City and Commonwealth of Kentucky Natural Resources and Environmental Protection Cabinet (the Cabinet) entered into an agreed order stipulating remedial measures to be taken by the City. To finance Glen Lily Road landfill closure and post-closure costs, the City issued \$2,950,000 Bowling Green Municipal Project Corporation Lease Revenue Bonds, Series 1991, dated April 1, 1991. Landfill closure cap construction is complete and the City performs annual monitoring, testing and reporting.

#### *Butler County Landfill*

The City submitted a closure plan for its Butler County landfill in May 1991. The site ceased receiving solid waste in June 1992. The closure plan was approved by the state in 1996. The facility met closure standards for a residential landfill rather than a contained landfill. Drawing upon funds from the Landfill Closure Special Revenue Fund, established from proceeds of the 1991 bond issue, the City added a leachate collection system and a passive methane gas venting system. Neither system was required by residential landfill standards. However, the systems were added to reduce the likelihood of discharge of unacceptable leachate in the future. Construction of the landfill cap was complete in fiscal year 1995. The City received a permit for closure construction in 1996. A quality assurance/quality control report was submitted on November 15, 1996. The original closure permit expired in July 1997 and a new permit extending to 2002 was issued. In 2004, consultants Kamp, Dresser and McKee were engaged to assist in development of a plan to effect final closure of the landfill. In 2005, the City completed the third year of a three-year closure care period with quarterly inspections and annual reports to the Cabinet. However, the state's capacity to inspect sites and process closure documents is limited. Consequently, we do not anticipate that Butler landfill requirements will cease before 2010.

#### *Old Louisville Road*

Responding to Cabinet directives, in September 2000 the City awarded a project to install a leachate collection system at the Old Louisville Road landfill. The project cost was \$521,955 and was completed December 2001. The City anticipated a decision from the Cabinet on the closure application in July 2002. However, the Cabinet has not acted on the application. The Cabinet's cost assumption program discussed above may render the City's application moot. However, a two year post-closure period will follow the date upon which the City receives acceptance of its closure application, if the application is processed. The City does not have sufficient information to predict leachate disposal or probe well removal costs in detail. These activities must take place to close the landfill.

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**G. Net Assets**

The Government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the unspent proceeds and any associated unamortized cost.

**NOTE 4. 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 fiscal year 1995, the City established the Employee Health Care Fund (EHCF) (an internal service fund) to account for and finance employee medical costs relating to the City's employee self-insured medical benefit plan. The EHCF provides coverage for up to \$60,000 for each health insurance claim. The City purchases commercial insurance for claims in excess of coverage provided.

Beginning in July 1996, the City established the Workers Compensation Fund (WCF) (an internal service fund) to account for and finance its participation in the Kentucky League of Cities Workers' Compensation Trust (The "Trust"), a public entity risk pool currently operating as a common risk management and insurance program for approximately 300 Kentucky cities, municipal boards, agencies and authorities. The City pays an annual premium to the Trust for its workers' compensation, general liability and auto insurance coverages. The Trust Participation Agreement provides that the Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2 million per occurrence. The WCF provides coverage of up to \$100,000 for each worker's compensation claim.

The City carries all-lines of insurance coverage through the Kentucky League of Cities for other risks of loss, including property loss, public officials and law enforcement liability. The City also carries commercial insurance for special risks coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

All funds of the City participate in the program and make payments to the EHCF and WCF based on historical cost information of the amounts needed to pay prior and current year claims. Claim liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported based on historical experience.

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

Changes in the balances of claims liabilities during fiscal years 2005 and 2006 were as follows:

	Health Care	Workers Compensation
Liability at June 30, 2004	\$ 324,500	\$ 155,994
Claims and changes in estimates - FY 2003	2,769,195	570,571
Claims paid FY 2004	<u>(2,851,370)</u>	<u>(362,155)</u>
Liability at June 30, 2005	242,325	364,410
Claims and changes in estimates FY 2005	2,972,390	117,263
Claims paid FY 2005	<u>(3,058,832)</u>	<u>(289,557)</u>
Liability at June 30, 2006	<u>\$ 155,883</u>	<u>\$ 192,116</u>

**NOTE 5. COMMITMENTS AND CONTINGENCIES**

**A. Litigation** - The City of Bowling Green is party to numerous legal proceedings, many of which normally occur in government operations and will not involve any potential liability to the City.

**B. Inter-Modal Transportation Authority, Inc.** - The City and County of Warren County, Kentucky entered into an Interlocal Cooperation Agreement on August 17, 2001 to cooperate, on an equal basis, in the development, acquisition, management, operation and/or financing of an inter-modal commerce and distribution center and industrial park located within Warren County, known or identified as the Kentucky Transpark (the "Project"). In October 1998 the Warren County Fiscal Court ("Fiscal Court") incorporated the Inter-Modal Transportation Authority, Inc. ("Authority"), a non-stock, non-profit corporation, as the agency and instrumentality for the purpose of acquiring, constructing, maintaining, operating and financing the Project. On February 14, 2001, Fiscal Court authorized and approved the issuance up to \$25,000,000 in Authority first mortgage revenue bonds for project financing and also up to \$25,000,000 of bond anticipation notes for interim financing for the Project, pending issuance of the bonds. The Authority has issued and outstanding five bond issues whose combined principal balances are \$25,000,000 as of June 30, 2006.

Warren County and the City have adopted ordinances authorizing the creation of a tax increment district in the development area whereby the Authority will receive 80% of the incremental State, City and County real estate taxes generated by businesses locating in the development area. Eleven additional cities and counties of south central Kentucky have also executed interlocal cooperation agreements pursuant to their support and extent of participation in the Project. The City has agreed to join the County of Warren in a commitment to jointly, equally and cooperatively assist in the development of the Project.

**C. Bowling Green Municipal Utilities** - Bowling Green Municipal Utilities has erected various street lighting systems for the City, which represents a total unamortized investment by the Utility at June 30, 2006 of \$3,026,913. In addition, the Utility has installed various lighting systems for the Parks and Recreation Department, with a total unamortized investment of \$70,260. For rental and maintenance of these systems, the City has agreed to pay Bowling Green Municipal Utilities eleven percent per annum on the total street light investments. The City must pay \$340,689 per year on a recurring basis. One-twelfth of the annual charge is billed to the City monthly along with the charge for electric service. Similar arrangements were in effect in prior years.

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**D. Construction Commitments** - The City has active construction projects as of June 30, 2006. At year end, the City had the following commitments on construction contracts:

Project	Remaining Commitment
Bale Boulevard	\$ 622,312
Circus Square	149,832
Riverfront Development	79,880
Kereiakes Park	28,474

**E. Contingencies** - The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the City complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2006 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**F. Liens and Encumbrances** - While the City does have satisfactory title to all owned assets, there may be some liens and encumbrances on such assets for matters other than related to bond issues. Only a complete accurate title search of all properties would disclose such liens and encumbrances.

**G. Conduit Debt** - The City has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector or nonprofit entity served by the bond issue. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The City has also issued special assessment bonds to finance various residential improvement projects. The bonds are repaid from amounts levied against the property owners benefited by the improvements. Neither the faith and credit nor the general taxing power of the City has been pledged to the payment of the bonds and the City has no obligation for the payment of the bonds in the case of default. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2006, there were three series of industrial revenue bonds and six series of special assessment bonds outstanding with an aggregate principal balance of \$104,160,000 and \$1,737,000, respectively.

**H. Lease Commitments** - The Golf Enterprise Fund leases approximately 53 acres of real estate from the Bowling Green-Warren County Airport Board for an initial term of 20 years with options to renew, in perpetuity, for additional twenty year terms. This lease provides for future minimum lease payments as follows:

Year Ending June 30,	
2007	\$ 5,254
2008	<u>5,254</u>
Total	<u>\$ 10,508</u>

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

In addition, the Golf Enterprise Fund leases the Crosswinds municipal golf course pro shop facility from The Convention Center Corporation, a component unit. The buildings, furnishings and equipment elements of this lease are classified as capital leases and included in the long-term debt footnote. The land element of this lease is classified as an operating lease. Rental payments are based on 7.62% of the total annual debt service of Mortgage Revenue Bonds, Series 1993. Rental payments attributed to the golf pro shop facility are based upon the facility's original cost (\$660,000) as a percentage of total project costs financed by Bonds (\$8,660,000). The following is a schedule by years of minimum future rentals of the land element of the golf pro shop facility lease as of June 30, 2006:

Year Ending June 30,	
2007	\$ 25,773
2008	28,845
2009	28,044
2010	27,242
2011	30,114
Thereafter	<u>248,631</u>
Total	<u>\$ 388,649</u>

**I. Southern Kentucky Performing Arts Center, Inc. (SKyPAC) Agreement** – The City entered into a property acquisition agreement with SKyPAC whereby the City has purchased various properties for future conveyance to SKyPAC in exchange for SKyPAC committing to construct a performing arts center on the site. In return, SKyPAC has given the City \$1 million for land acquisition with the City responsible for all remaining costs of acquisition and demolition of existing structures. The revenue and expense related to this agreement are included in the Downtown Revitalization capital projects fund in the statement of revenues, expenditures and changes in fund balance. In the government-wide financial statements, the City has recorded both an asset and deferred revenue related to the agreement. As of June 30, 2006, the City maintained the title to the land purchased under the agreement.

**NOTE 6. THE SINGLE AUDIT ACT**

The U.S. Office of Management and Budget's Circular No. A-133 for *Audits of States, Local Governments and Non-Profit Organizations* requires non-federal entities that expend \$500,000 or more a year in federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the City of Bowling Green in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

**NOTE 7. SUBSEQUENT EVENTS**

Subsequent to the year ended June 30, 2006, the City approved the issuance of general obligation bonds in an amount not to exceed \$7 million in order to finance the City's capital projects.

**NOTE 8. DEFINED BENEFIT PENSION PLANS**

**The Policemen and Firemen's Retirement Fund (PFRF)**

**A. Plan Descriptions**

The PFRF is a single-employer defined benefit pension plan administered by a Board of Trustees consisting of the Mayor, City Chief Financial Officer, and two retirees from the Police and Fire Department. PFRF was established to provide retirement and disability benefits for retiring, disabled, or

**CITY OF BOWLING GREEN, KENTUCKY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

deceased personnel and their surviving spouse. Benefits are determined by Kentucky Revised Statutes sections 95.851 to 95.884. On August 1, 1988 the plan was closed to new entrants and current active duty police and firemen of the City were given the choice of remaining in this plan or transferring into the County Employees Retirement System (CERS). The PFRF issues a publicly available financial report that includes financial statements and required supplementary information for the PFRF. That report may be obtained from the City's Chief Financial Officer, City Hall, Bowling Green, Kentucky.

**B. Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting** - The preparation of the financial statements of the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund conform to the provisions of GASB Statement No. 25. The financial statements are prepared on an accrual basis. City contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

**Investments** - Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are value at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Approximately fifty-nine percent of the net assets held in trust for pension benefits are invested in bonds of the U.S. Government and its instrumentalities. The fund has no investments in the stocks or bonds of any commercial or industrial organization whose market value exceeds five percent of the net assets available for benefits.

The retirement fund's investments are all categorized as either insured or registered. The securities are held by the retirement fund, or by its agent, in the name of City of Bowling Green Policemen and Firefighter's Retirement Fund.

**Funding Policy and Annual Pension Cost** - The contribution requirements of plan members and the City are established and may be amended by the Board of Trustees. Covered employees were required by statute to contribute eight percent of their annual covered salary. As there are no longer any active members, members made no contributions for the year ended June 30, 2006.

The City only contributes amounts required to fund current service costs and interest on unfunded past service costs as determined by actuarial valuations in compliance with Kentucky Revised Statutes. Administrative costs of the PFRF are financed through investment earnings. The City is not required to make an annual contribution. For 2005-2006 the City made a contribution of \$209,000. For fiscal year 2005-2006 the City approved a cost of living increase of 3% effective August 1, 2006. For fiscal years subsequent to 2005-2006, the City expects to approve a 3% annual cost of living increase (\$225,495 for 2006-2007).

**CITY OF BOWLING GREEN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**C. Supplemental Information**

Information as of the latest actuarial valuation is presented in the following table.

Valuation date	July 1, 2006
Actuarial cost method	Entry Age Normal
Amortization method	N/A - no method has been adopted. Due to this being a closed plan, the City has adopted the minimum statutory requirements
Amortization period	N/A - no period has been adopted. Due to this being a closed plan, the City has adopted the minimum statutory requirements
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	6.0%
Projected salary increases	N/A - closed plan
Inflation rate	None
Cost of living adjustment	0%, or 3%, or 5.0%
Total minimum City cost	\$63,103 or \$225,492 (at 3%) or \$387,937 (at 5%)

**D. The County Employees' Retirement System**

**Plan Description** - The City, as well as employees for Bowling Green Municipal Utilities Electric, Water-Sewer, and General Services Divisions, and Bowling Green Public Library, are participants in the Commonwealth of Kentucky's County Employees' Retirement System (CERS). CERS is a cost-sharing multi-employer public employee retirement system. Funding for the Plan is provided through payroll withholdings (5% for non-hazardous and 8% for hazardous) and participating employers are required to contribute at an actuarially determined rate. The current rate is 8.48% for non-hazardous and 25.01% for hazardous employees of the employee's total compensation subject to contribution.

The contribution requirement for CERS for the year ended June 30, 2006 was \$4,609,093 which consisted of \$3,363,846 from the City and \$1,245,247 from the employees.

Benefits under the plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

The City also offers employees the option to participate in a Section 457 Deferred Compensation plan or in the Kentucky Public Employees 401(k) Deferred Compensation Plan.

**CITY OF BOWLING GREEN, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**E. Deferred Compensation Plan**

On December 5, 1995, the City Commission adopted Municipal Order No. 95-268 extending participation in ICMA Retirement Corporation's Section 457 deferred compensation plan to all eligible City employees as a voluntary retirement supplement. The ICMA plan provides for retirement, disability and death benefits based upon the total value of each participant's contributions plus accrued investment returns.

Investments are managed by ICMA Retirement Corporation, plan administrator, with various investment options. The choice of the investment option(s) is made by the participants. Participating employees can contribute to the Plan based on either a percentage of compensation or a fixed dollar amount per pay period up to 25% of the participant's total salary or \$15,000 per year, whichever is less. During the fiscal year ended June 30, 2006, employee contributions totaled \$221,282.

On December 5, 1995, the City Commission also adopted Municipal Order 95-269 authorizing participation in the Kentucky Public Employees 401(k) Deferred Compensation Plan. The Plan is administered by the Kentucky Public Employees Deferred Compensation Authority and is offered to all eligible City employees as a voluntary retirement supplement. Participating employees can defer a maximum of \$15,000 per year, up to 20% of annual compensation. Benefits are available upon termination of employment, retirement, death or for hardship withdrawal. Employee contributions totaled \$252,690 for the fiscal year ended June 30, 2006.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other than Management's Discussion and Analysis)**

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes				
Real estate	\$ 6,703,000	\$ 6,442,000	\$ 6,419,190	\$ (22,810)
Personal property	1,120,000	1,120,000	1,237,740	117,740
Insurance premium	1,550,000	1,550,000	1,428,305	(121,695)
Motor vehicle and boat	600,000	600,000	646,898	46,898
Payment in lieu of taxes	198,000	198,000	187,714	(10,286)
Franchise	1,024,000	1,024,000	1,156,999	132,999
Penalites and Interest	65,000	65,000	77,828	12,828
Total taxes	<u>11,260,000</u>	<u>10,999,000</u>	<u>11,154,674</u>	<u>155,674</u>
Licenses and permits				
Occupational:				
Employees' withholding	25,027,000	25,027,000	27,387,244	2,360,244
Net profits	3,900,000	3,900,000	4,748,405	848,405
Other fees	1,568,000	1,568,000	1,819,991	251,991
Special licenses	165,000	165,000	156,260	(8,740)
Permits	722,500	722,500	638,055	(84,445)
Total licences and permits	<u>31,382,500</u>	<u>31,382,500</u>	<u>34,749,955</u>	<u>3,367,455</u>
Intergovernmental				
Federal grants	11,000	786,270	536,572	(249,698)
State grants	41,000	206,650	223,266	16,616
Local grants	190,000	190,000	189,978	(22)
Total intergovernment	<u>242,000</u>	<u>1,182,920</u>	<u>949,816</u>	<u>(233,104)</u>
Charges for services				
School tax collection fees	160,000	160,000	156,194	(3,806)
Other general government fees	6,500	6,500	8,190	1,690
Public safety fees	129,000	129,000	140,087	11,087
Cemetery lot sales	83,500	83,500	79,800	(3,700)
Cemetery fees	117,000	117,000	128,133	11,133
Other	54,000	54,000	58,605	4,605
Total charges for services	<u>550,000</u>	<u>550,000</u>	<u>571,009</u>	<u>21,009</u>
Parks and recreation	350,500	350,640	361,444	10,804
Miscellaneous				
Interest income	525,000	525,000	1,101,144	576,144
ABC and parking violations fees	25,000	25,000	30,065	5,065
Contributions and donations	2,000	11,900	3,250	(8,650)
Judgements and settlements	20,000	856,000	760,515	(95,485)
Other	76,000	83,000	60,111	(22,889)
Total miscellaneous	<u>648,000</u>	<u>1,500,900</u>	<u>1,955,085</u>	<u>454,185</u>
Total revenues	<u>44,433,000</u>	<u>45,965,960</u>	<u>49,741,983</u>	<u>3,776,023</u>

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Budget - Positive (Negative)
General government				
Legislative	\$ 323,335	\$ 364,761	\$ 332,176	\$ 32,585
Executive	292,569	270,828	249,591	21,237
Citizens information assistance	758,113	807,094	712,924	94,170
Finance	1,444,302	1,508,372	1,301,290	207,082
Human resources	1,657,828	1,652,667	1,510,682	141,985
Law	274,540	1,099,540	366,944	732,596
Information technology	1,006,741	1,121,700	1,093,198	28,502
Administrative services	871,317	869,228	842,664	26,564
Total general government	6,628,745	7,694,190	6,409,469	1,284,721
Public safety				
Police	9,844,940	9,978,982	9,847,278	131,704
Fire	8,408,363	8,866,704	8,621,317	245,387
Total public safety	18,253,303	18,845,686	18,468,595	377,091
Public works				
Public works administration	1,910,934	2,346,148	1,952,907	393,241
Highway and streets	2,078,608	2,284,222	2,144,082	140,140
Building and plant	1,515,966	1,643,520	1,495,737	147,783
Transportation	585,893	816,768	501,996	314,772
Total public works	6,091,401	7,090,658	6,094,722	995,936
Parks and recreation				
Parks	1,489,073	1,617,382	1,454,747	162,635
Recreation	573,436	584,234	506,795	77,439
Athletics	510,872	512,922	468,452	44,470
Community centers	686,179	704,696	679,392	25,304
Other parks	1,184,967	1,528,543	1,164,642	363,901
Total parks and recreation	4,444,527	4,947,777	4,274,028	673,749
Housing and community development	1,416,993	1,456,993	1,464,402	(7,409)
Community services				
Community services	2,373,263	2,504,763	2,374,763	130,000
Intergovernmental	191,460	191,460	201,850	(10,390)
Total community services	2,564,723	2,696,223	2,576,613	119,610
Miscellaneous	150,000	-	-	-
Total Expenditures	39,549,692	42,731,527	39,287,829	3,443,698
Excess of revenues over expenditures	4,883,308	3,234,433	10,454,154	7,219,721
Other financing sources (uses):				
Transfers in	200,000	200,000	200,000	-
Transfers out	(4,798,308)	(6,688,624)	(6,392,704)	295,920
Capital lease proceeds	-	-	-	-
Proceeds from sale of capital assets	90,000	90,000	146,475	56,475
Total other financing sources (uses)	(4,508,308)	(6,398,624)	(6,046,229)	352,395
Net change in fund balances	375,000	(3,164,191)	4,407,925	7,572,116
Fund balances, beginning	13,503,864	17,316,180	17,316,180	-
Fund balances, ending	\$ 13,878,864	\$ 14,151,989	\$ 21,724,105	\$ 7,572,116

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGET COMPARISON SCHEDULE

WKU ATHLETICS SPECIAL REVENUE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,538,500	\$ 1,538,500	\$ 1,537,811	\$ (689)
<b>EXPENDITURES</b>				
	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,538,500	1,538,500	1,537,811	(689)
Other financing sources (uses):				
Transfers out	(1,538,500)	(1,538,500)	(1,537,811)	689
Total other financing sources (uses)	(1,538,500)	(1,538,500)	(1,537,811)	689
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -

**CITY OF BOWLING GREEN, KENTUCKY**  
**POLICE AND FIREMEN'S RETIREMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

***Schedule of Funding Progress***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
<b><i>Assumes no Future Cost of Living Increase</i></b>						
7/1/06	8,594,619	9,709,433	1,114,814	88.5%	N/A	N/A
7/1/04	9,137,158	9,760,162	623,003	93.6%	N/A	N/A
7/1/02	9,890,334	8,898,976	(991,358)	111.1%	N/A	N/A
<b><i>Assumes Future Cost-of-Living Increase of 3% per Year</i></b>						
7/1/06	8,594,619	12,578,314	3,983,695	68.3%	N/A	N/A
7/1/04	9,137,158	12,825,827	3,688,669	71.2%	N/A	N/A
7/1/02	9,890,334	11,437,478	1,547,144	86.5%	N/A	N/A
<b><i>Assumes Future Cost-of-Living Increase of 5% per Year</i></b>						
7/1/06	8,594,619	15,448,181	6,853,562	55.6%	N/A	N/A
7/1/04	9,137,158	15,950,597	6,813,439	57.3%	N/A	N/A
7/1/02	9,890,334	13,975,235	4,084,901	70.8%	N/A	N/A

P&F Pension Fund

Year Ended June 30	Annual Required Contribution	Amount Contributed
1996	\$ 0	\$ 0
1997	0	63,629
1998	0	63,629
1999	0	63,629
2000	0	48,781
2001	0	48,781
2002	0	88,514
2003	0	108,000
2004	0	108,000
2005	0	209,000
2006	0	209,000

**CITY OF BOWLING GREEN, KENTUCKY**

**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2006**

As allowed by GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, the City has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the City expenses certain maintenance and preservation costs and does not report depreciation expense.

In order to utilize the modified approach, the City is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the City.
- Document that the assets are being preserved approximately at, or above, the established condition level.

**Roads**

The City began using its computerized pavement management system in 1997. Surface distress and ride comfort assessments are conducted on all segments, with deflection/strength testing performed on streets with a functional class of major collector and above. These assessments are conducted on one-half of the street network during the first year of a three-year cycle. The second half of the network is assessed in the second year. In the third year, deflection/strength testing is performed on the entire network. The most recent assessment was conducted in January, 2004.

Upon completion of the assessment, a pavement quality index (PQI) was calculated to assess the overall condition of individual pavement segments. Rating between 0 and 10, a PQI of 2 has no serviceable value. A PQI of 10 would correspond to a pavement with proper engineering design and construction at the beginning of its life cycle.

The following pavement quality conditions have been defined:

<u>Condition</u>	<u>PQI Rating</u>
Excellent	9.0 - 10.0
Very good	8.0 - 8.9
Good	7.0 - 7.9
Fair	6.0 - 6.9
Poor	5.0 - 5.9
Very poor	4.0 - 4.9
Substandard	2.1 - 3.9
Not serviceable	0.0 - 2.0

**Established Condition Level**

The City's policy is to achieve a rating of 7.6 for all streets, which is a good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to traveling drivers at posted speeds.

**Assessed Conditions**

The following table reports the percentage of streets meeting a rating 7.6 or above:

<u>Year</u>	<u>Percentage</u>
2006	85%
2005	82%

**Drainage and Storm Sewers**

**Measurement Scale**

Storm drainage and sewers are measured as being in Good, Fair, or Poor condition. This is currently done via visual assessment on an annual basis by a contractor.

**Established Condition**

The ideal condition for the storm drainage and sewer system is a greater than a 90% Good condition rating.

**Assessed Conditions**

At June 30, 2006 more than 97% of the storm drainage and sewers were rated in Good condition, approximately 2% were Fair, leaving around 1% as poor. The City replaces the pipes and structures on an as-needed basis.

**Budgeted and Estimated Costs to Maintain**

The following table presents the City's estimate of spending necessary to preserve and maintain the infrastructure at, or above, the "Established Condition Levels" cited above, and the actual amount spent during the past five fiscal years (in thousands):

Fiscal Year	Estimated Spending	Actual Spending
2006-2007	\$842	-
2005-2006	\$842	\$842
2004-2005	\$875	\$920

The budgeting process utilized by the City results in spending in one fiscal year from amounts that were budgeted in a previous year(s). Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year. The table demonstrates that over the past two years, the City spending has been in line with the budgeted amounts and the other tables contained within this narrative demonstrate that the City has met its desired condition levels.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

#### **Community Development Fund**

This fund is used to account for revenues and expenditures of the federal community development programs.

#### **Fire Improvement Fund**

This fund is used to account for capital outlays of the fire department. Funding is provided by fire insurance license fees.

#### **Municipal Aid Fund**

This fund is used to account for revenues and expenditures of Kentucky public safety, public works and economic development grants, liquid fuel tax, mineral and coal severance tax receipts, and law enforcement special pay programs.

#### **Parks Development Fund**

This fund is used to account for expenditures of certain parks projects. Funding is provided by property tax receipts and occupational fees from the Hartland Development area.

#### **Job Development Incentive Fund**

This fund is used to account for job development incentive payments to business prospects within City boundaries to provide incentives for the creation of new jobs. Employee withholdings generated by new jobs are deposited to the fund to reduce incentive payment obligations payable in annual installments not to exceed five years.

#### **Landfill Closure Fund**

This fund is used to account for revenues and expenditures applicable to government landfill closure and postclosure care.

#### **Local Law Enforcement Block Grant Fund**

This fund is used to account for a Serious Habitual Offender/Criminal Apprehension Program (SHOCAP) Grant which targets habitual juvenile offenders for intense supervision with the assistance of the courts, social services and the local schools.

#### **Trunking Operation Fund**

This fund is used to account for the joint operations of an 800 MHZ radio system by the City of Bowling Green, Warren County Government, the Medical Center at Bowling Green, and Western Kentucky University.

#### **Neighborhood Grant Fund**

This fund is used to account for the Select Neighborhood Action Program (SNAP) Grants which are made available to neighborhood groups to finance improvement projects up to \$5,000 each.

#### **Technology Fund**

This fund is used to account for expenditures associated with the City's Information Technology program. Funding is mainly being provided by transfers from other funds.

**Lampkin Park Trust Fund**

This fund is used to account for the receipt of one-seventh of the net income from C.W. Lampkin Charitable Trust. The money shall be used for the maintenance, improvement, and development of Lampkin Park in Bowling Green, Kentucky, as long as the park bears the name Lampkin Park.

## **NONMAJOR GOVERNMENTAL FUNDS**

### **CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

#### **Parks Community Center Fund**

This fund is used to account for the costs associated with the renovation and expansion of the Parks Community Center on Third Avenue. Financing for this \$4,135,000 project has been included in the issuance of the \$13,375,000 City of Bowling Green, Kentucky General Obligation Bonds, Series 2004A.

#### **Riverfront Development Fund**

This fund is used to account for the revenues and expenditures in the development of a riverfront park between College and State Streets adjacent to the Barren River.

#### **Equipment Replacement Fund**

This fund is used to account for the short-term financing of general government capital outlays for vehicles and equipment.

#### **Southwest Corridor Fund**

This fund is used to account for costs associated with the purchase of land for a future road to connect Russellville Road with Nashville Road. Financing for this \$300,000 project has been included in the issuance of the \$13,375,000 City of Bowling Green, Kentucky General Obligation Bonds, Series 2004A.

#### **Road Construction Fund**

This fund is used to account for costs associated with the purchase of land and construction of three road projects, Bale Boulevard, Turner Court and Houston Court. Financing for these projects has been included in the issuance of the \$13,325,000 City of Bowling Green, Kentucky General Obligation Bonds, Series 2004A, plus state grants of \$800,000 and private contributions of \$400,000.

#### **Police Headquarters Expansion Fund**

This fund is used to account for the costs associated with the expansion of the Police Headquarters facility, originally constructed in 1997. Financing for this \$4.9 million project is provided by the \$13,375,000 City of Bowling Green General Obligation Bonds, Series 2004A.

#### **Downtown Revitalization Fund**

This fund is used to account for a portion of the costs associated with the City's Chapter 99 redevelopment plan. Through the use of these funds, the City will purchase and clear property, which would then be resold to private developers, whose plans have met City approval. Financing for this \$300,000 project has been provided by the \$2,025,000 City of Bowling Green, Kentucky General Obligation Bonds, Series 2004B (taxable).

#### **14<sup>th</sup> Street Construction Fund**

This fund is used to account for the costs associated with the re-alignment of 14<sup>th</sup> avenue. Financing for Phase I of this project was provided by a \$400,000 General Obligation Lease in 2005.

**Operations Relocation Fund**

This fund is used to account for the costs of relocation of the Operations Division of the Public Works Department into a new facility on Lapsley Lane. Financing in the amount of \$1,500,000 has been included in the issuance of the \$1,325,000 City of Bowling Green, Kentucky General Obligation Bonds, Series 2004A and \$1,230,000 from a General Obligation Lease in 2005.

**Parks Improvement Fund**

This fund is used to account for several capital projects for the parks department, including the renovation of the locker rooms at the Parks Community Center, relighting at Lampkin Park baseball fields and the repaving of cemetery lanes and two parking lots. Financing for these projects in the amount of \$443,000 has been included in the issuance of the \$2,025,000 City of Bowling Green, Kentucky General Obligation Bonds, Series 2004B (taxable).

**Long Range Transportation Fund**

This fund is used to account for various types of transportation projects including road widening and construction as well as safety and traffic improvements. The projects are determined by the Long Range and Improvement Transportation Plans developed by the Bowling Green Warren County Metropolitan Planning Organization.

## **NONMAJOR GOVERNMENTAL FUNDS**

### **PERMANENT FUNDS**

Permanent funds are used to report resources that are legally restricted to allow only the earnings and not the principal, to be used for the prescribed purposes.

#### **Cemetery Perpetual Trust Fund**

This fund is used to account for monies provided by private donors and from the sale of cemetery lots. The principal amount is to be maintained intact and invested. Investment earnings are used for cemetery maintenance.

**CITY OF BOWLING GREEN, KENTUCKY**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund - Cemetery Perpetual	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 3,206,260	\$ 1,178,061	\$ 19,613	\$ 4,403,934
Non-pooled cash and cash equivalents	817,202	-	-	817,202
Investments	4,849,422	-	3,750	4,853,172
Receivables (net of allowances for uncollectibles):				
Accounts	23,895	-	-	23,895
Loans	834,941	-	-	834,941
Other	12,299	-	47	12,346
Due from other governmental units	296,627	668,788	-	965,415
Restricted assets:				
Non-pooled cash and cash equivalents	49,527	4,394,642	561,341	5,005,510
Other assets	-	-	8,878	8,878
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 10,090,173</u>	<u>\$ 6,241,491</u>	<u>\$ 593,629</u>	<u>\$ 16,925,293</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Vouchers and accounts payable	\$ 192,528	\$ 234,302	\$ -	\$ 426,830
Accrued payroll	6,034	-	-	6,034
Due to other funds	60,000	50,000	-	110,000
Due to component units	-	-	-	-
Deferred revenue	858,836	-	-	858,836
Security deposits	35,346	-	-	35,346
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>1,152,744</u>	<u>284,302</u>	<u>-</u>	<u>1,437,046</u>
Fund Balances				
Reserved for encumbrances	569,836	3,209,493	-	3,779,329
Reserved for perpetual care	-	-	561,341	561,341
Unreserved, undesignated	8,367,593	2,747,696	32,288	11,147,577
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>8,937,429</u>	<u>5,957,189</u>	<u>593,629</u>	<u>15,488,247</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 10,090,173</u>	<u>\$ 6,241,491</u>	<u>\$ 593,629</u>	<u>\$ 16,925,293</u>

CITY OF BOWLING GREEN, KENTUCKY

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2006

	Community Development	Fire Improvement	Municipal Aid	Parks Development	Job Development	Landfill Closure	Local Law Enforcement Block Grant	Trunking Operation	Neighborhood Grant	Technology	Lampkin Park Trust	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>												
Pooled cash and cash equivalents	-	\$ 781,515	\$ 1,221,896	\$ -	\$ 424,445	\$ 356,674	\$ 47,088	\$ 53,952	\$ 2,838	\$ 297,578	\$ 20,274	\$ 3,206,260
Non-pooled cash and cash equivalents	817,202	-	-	-	-	-	-	-	-	-	-	817,202
Investments	264,768	1,842,089	794,719	-	1,299,186	648,660	-	-	-	-	-	4,849,422
Receivables (net of allowances for uncollectibles)												
Accounts	23,895	-	-	-	-	-	-	-	-	-	-	23,895
Loans	834,941	-	-	-	-	-	-	-	-	-	-	834,941
Other	232	928	2,102	-	4,962	4,075	-	-	-	-	-	12,299
Due from other governmental units	83,366	110,350	102,911	-	-	-	-	-	-	-	-	296,627
Restricted assets:												
Non-pooled cash and cash equivalents	36,612	12,915	-	-	-	-	-	-	-	-	-	49,527
<b>Total assets</b>	<b>\$ 2,061,016</b>	<b>\$ 2,747,797</b>	<b>\$ 2,121,628</b>	<b>\$ -</b>	<b>\$ 1,728,593</b>	<b>\$ 1,009,409</b>	<b>\$ 47,088</b>	<b>\$ 53,952</b>	<b>\$ 2,838</b>	<b>\$ 297,578</b>	<b>\$ 20,274</b>	<b>\$ 10,090,173</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities</b>												
Vouchers and accounts payable	\$ 51,289	\$ 76,702	\$ 64,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192,528
Accrued payroll	3,715	-	2,319	-	-	-	-	-	-	-	-	6,034
Due to other funds	60,000	-	-	-	-	-	-	-	-	-	-	60,000
Due to component units	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	858,836	-	-	-	-	-	-	-	-	-	-	858,836
Security deposits	35,346	-	-	-	-	-	-	-	-	-	-	35,346
<b>Total liabilities</b>	<b>1,009,186</b>	<b>76,702</b>	<b>66,856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,152,744</b>
<b>Fund Balances</b>												
Reserved for encumbrances	151,522	42,116	376,198	-	-	-	-	-	-	-	-	569,836
Unreserved, undesignated	900,308	2,628,979	1,678,574	-	1,728,593	1,009,409	47,088	53,952	2,838	297,578	20,274	8,367,593
<b>Total fund balances</b>	<b>1,051,830</b>	<b>2,671,095</b>	<b>2,054,772</b>	<b>-</b>	<b>1,728,593</b>	<b>1,009,409</b>	<b>47,088</b>	<b>53,952</b>	<b>2,838</b>	<b>297,578</b>	<b>20,274</b>	<b>8,937,429</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,061,016</b>	<b>\$ 2,747,797</b>	<b>\$ 2,121,628</b>	<b>\$ -</b>	<b>\$ 1,728,593</b>	<b>\$ 1,009,409</b>	<b>\$ 47,088</b>	<b>\$ 53,952</b>	<b>\$ 2,838</b>	<b>\$ 297,578</b>	<b>\$ 20,274</b>	<b>\$ 10,090,173</b>

CITY OF BOWLING GREEN, KENTUCKY

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

June 30, 2006

	Parks Community Center	Downtown Revitalization Project	14th Street Construction Fund	Riverfront Development	Equipment Replacement	Southwest Corridor	Road Construction	Police Headquarters Expansion	Operations Relocation	Parks Improvements	Long Range Transportation	Total Nonmajor Capital Project Funds
<b>ASSETS</b>												
Pooled cash and cash equivalents	\$ -	\$ 363,012	\$ -	\$ (185,080)	\$ 78,105	\$ 11,597	\$ 444,171	\$ -	\$ -	\$ 412,435	\$ 53,821	\$ 1,178,061
Due from other governmental units	-	-	-	265,013	-	-	403,775	-	-	-	-	668,788
Restricted assets:												
Non-pooled cash and cash equivalents	4,015,776	-	378,866	-	-	-	-	-	-	-	-	4,394,642
Total assets	\$ 4,015,776	\$ 363,012	\$ 378,866	\$ 79,933	\$ 78,105	\$ 11,597	\$ 847,946	\$ -	\$ -	\$ 412,435	\$ 53,821	\$ 6,241,491
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities												
Vouchers and accounts payable	\$ 17,017	\$ 48,028	\$ -	\$ 79,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,000	\$ 10,900	\$ 234,302
Due to other funds	-	-	-	-	-	50,000	-	-	-	-	-	50,000
Total liabilities	17,017	48,028	-	79,357	-	50,000	-	-	-	79,000	10,900	284,302
Fund Balances												
Reserved for encumbrances	392,821	149,832	199,331	1,464,539	76,656	12,750	622,312	-	-	58,874	232,378	3,209,493
Unreserved, undesignated	3,605,938	165,152	179,535	(1,463,963)	1,449	(51,153)	225,634	-	-	274,561	(189,457)	2,747,696
Total fund balances	3,998,759	314,984	378,866	576	78,105	(38,403)	847,946	-	-	333,435	42,921	5,957,189
Total liabilities and fund balances	\$ 4,015,776	\$ 363,012	\$ 378,866	\$ 79,933	\$ 78,105	\$ 11,597	\$ 847,946	\$ -	\$ -	\$ 412,435	\$ 53,821	\$ 6,241,491

**CITY OF BOWLING GREEN, KENTUCKY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund - Cemetery Perpetual	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,008,441	\$ -	\$ -	\$ 2,008,441
Licenses and permits	2,535,202	-	-	2,535,202
Intergovernmental	5,282,024	2,098,782	-	7,380,806
Investment income	340,814	173,607	14,637	529,058
Contributions and donations	6,531	15,000	-	21,531
Miscellaneous	518,160	6,000	17,949	542,109
<b>Total Revenues</b>	<b>10,691,172</b>	<b>2,293,389</b>	<b>32,586</b>	<b>13,017,147</b>
<b>EXPENDITURES</b>				
Current:				
General government	80,919	-	-	80,919
Public safety	1,378,911	2,407	-	1,381,318
Public works	1,415,271	8,748	-	1,424,019
Housing and community development	2,831,808	1,002,520	-	3,834,328
Capital Outlay	739,046	5,515,018	-	6,254,064
<b>Total Expenditures</b>	<b>6,445,955</b>	<b>6,528,693</b>	<b>-</b>	<b>12,974,648</b>
Excess (deficiency) of revenues over (under) expenditures	4,245,217	(4,235,304)	32,586	42,499
Other financing sources (uses):				
Transfers in	276,082	1,818,334	-	2,094,416
Transfers out	(3,517,611)	-	-	(3,517,611)
Proceeds from sale of capital assets	-	1,000,000	-	1,000,000
<b>Total other financing sources (uses)</b>	<b>(3,241,529)</b>	<b>2,818,334</b>	<b>-</b>	<b>(423,195)</b>
<b>Net change in fund balances</b>	<b>1,003,688</b>	<b>(1,416,970)</b>	<b>32,586</b>	<b>(380,696)</b>
Fund balances, beginning	7,933,741	7,374,159	561,043	15,868,943
<b>Fund balances, ending</b>	<b>\$ 8,937,429</b>	<b>\$ 5,957,189</b>	<b>\$ 593,629</b>	<b>\$ 15,488,247</b>

CITY OF BOWLING GREEN, KENTUCKY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

For the year ended June 30, 2006

	Community Development	Fire Improvement	Municipal Aid	Parks Development	Job Development	Landfill Closure	Local Law Enforcement Block Grant	Trunking Operation	Neighborhood Grant	Technology	Lampkin Park Trust	Total Special Revenue Funds
<b>REVENUES</b>												
Taxes	\$ -	\$ 1,630,441	\$ -	\$ 378,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,008,441
Licenses and permits	-	-	-	937,216	1,597,986	-	-	-	-	-	-	2,535,202
Intergovernmental	3,086,922	175,567	1,974,525	-	-	-	26,010	19,000	-	-	-	5,282,024
Investment income	18,021	114,077	90,099	-	73,086	39,473	-	336	-	-	5,722	340,814
Contributions and donations	-	1,971	-	-	-	-	-	4,560	-	-	-	6,531
Miscellaneous	180,679	12,876	59,049	-	38,056	227,500	-	-	-	-	-	518,160
<b>Total Revenues</b>	<b>3,285,622</b>	<b>1,934,932</b>	<b>2,123,673</b>	<b>1,315,216</b>	<b>1,709,128</b>	<b>266,973</b>	<b>26,010</b>	<b>23,896</b>	<b>-</b>	<b>-</b>	<b>5,722</b>	<b>10,691,172</b>
<b>EXPENDITURES</b>												
Current:												
General government	-	-	-	-	-	-	-	-	63,576	17,343	-	80,919
Public safety	-	192,978	1,185,933	-	-	-	-	-	-	-	-	1,378,911
Public works	-	-	1,353,252	-	-	24,555	-	37,464	-	-	-	1,415,271
Housing and community development	2,831,808	-	-	-	-	-	-	-	-	-	-	2,831,808
Capital Outlay	537,107	101,629	20,524	-	-	-	-	47,751	-	32,035	-	739,046
<b>Total Expenditures</b>	<b>3,368,915</b>	<b>294,607</b>	<b>2,559,709</b>	<b>-</b>	<b>-</b>	<b>24,555</b>	<b>-</b>	<b>85,215</b>	<b>63,576</b>	<b>49,378</b>	<b>-</b>	<b>6,445,955</b>
Excess (deficiency) of revenues over (under) expenditures	(83,293)	1,640,325	(436,036)	1,315,216	1,709,128	242,418	26,010	(61,319)	(63,576)	(49,378)	5,722	4,245,217
Other financing sources (uses):												
Transfers in	32,000	-	25,082	-	-	-	-	19,000	50,000	150,000	-	276,082
Transfers out	(32,000)	(907,378)	-	(1,315,216)	(1,263,017)	-	-	-	-	-	-	(3,517,611)
Proceeds from the sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(907,378)</b>	<b>25,082</b>	<b>(1,315,216)</b>	<b>(1,263,017)</b>	<b>-</b>	<b>-</b>	<b>19,000</b>	<b>50,000</b>	<b>150,000</b>	<b>-</b>	<b>(3,241,529)</b>
Net change in fund balances	(83,293)	732,947	(410,954)	-	446,111	242,418	26,010	(42,319)	(13,576)	100,622	5,722	1,003,688
Fund balances, beginning	1,135,123	1,938,148	2,465,726	-	1,282,482	766,991	21,078	96,271	16,414	196,956	14,552	7,933,741
Fund balances, ending	\$ 1,051,830	\$ 2,671,095	\$ 2,054,772	\$ -	\$ 1,728,593	\$ 1,009,409	\$ 47,088	\$ 53,952	\$ 2,838	\$ 297,578	\$ 20,274	\$ 8,937,429

**CITY OF BOWLING GREEN, KENTUCKY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS**

For the year ended June 30, 2006

	Parks Community Center	Downtown Revitalization Project	14th Street Construction Fund	Riverfront Development	Equipment Replacement	Southwest Corridor	Road Construction	Police Headquarters Expansion	Operations Relocation	Parks Improvements	Long Range Transportation	Total Capital Project Funds
<b>REVENUES</b>												
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,695,008	\$ -	\$ -	\$ 403,774	\$ -	\$ -	\$ -	\$ -	\$ 2,098,782
Investment income	156,686	-	14,917	-	2,004	-	-	-	-	-	-	173,607
Contributions and donations	-	-	-	-	-	-	-	-	-	15,000	-	15,000
Miscellaneous	-	6,000	-	-	-	-	-	-	-	-	-	6,000
<b>Total Revenues</b>	<b>156,686</b>	<b>6,000</b>	<b>14,917</b>	<b>1,695,008</b>	<b>2,004</b>	<b>-</b>	<b>403,774</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>2,293,389</b>
<b>EXPENDITURES</b>												
Current:												
Public safety	-	-	-	-	-	-	-	2,407	-	-	-	2,407
Public works	-	-	-	-	-	8,748	-	-	-	-	-	8,748
Housing and community development	-	100,379	-	902,141	-	-	-	-	-	-	-	1,002,520
Capital Outlay	715,815	1,252,140	36,174	792,867	792,573	310,295	849,535	136,495	17,724	372,321	239,079	5,515,018
<b>Total Expenditures</b>	<b>715,815</b>	<b>1,352,519</b>	<b>36,174</b>	<b>1,695,008</b>	<b>792,573</b>	<b>319,043</b>	<b>849,535</b>	<b>138,902</b>	<b>17,724</b>	<b>372,321</b>	<b>239,079</b>	<b>6,528,693</b>
Excess (deficiency) of revenues over (under) expenditures	(559,129)	(1,346,519)	(21,257)	-	(790,569)	(319,043)	(445,761)	(138,902)	(17,724)	(357,321)	(239,079)	(4,235,304)
Other financing sources (uses):												
Transfers in	-	631,500	-	-	854,834	-	-	-	-	50,000	282,000	1,818,334
Proceeds from sale of capital assets	-	1,000,000	-	-	-	-	-	-	-	-	-	1,000,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,631,500</b>	<b>-</b>	<b>-</b>	<b>854,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>282,000</b>	<b>2,818,334</b>
<b>Net change in fund balances</b>	<b>(559,129)</b>	<b>284,981</b>	<b>(21,257)</b>	<b>-</b>	<b>64,265</b>	<b>(319,043)</b>	<b>(445,761)</b>	<b>(138,902)</b>	<b>(17,724)</b>	<b>(307,321)</b>	<b>42,921</b>	<b>(1,416,970)</b>
Fund balances, beginning	4,557,888	30,003	400,123	576	13,840	280,640	1,293,707	138,902	17,724	640,756	-	7,374,159
<b>Fund balances, ending</b>	<b>\$ 3,998,759</b>	<b>\$ 314,984</b>	<b>\$ 378,866</b>	<b>\$ 576</b>	<b>\$ 78,105</b>	<b>\$ (38,403)</b>	<b>\$ 847,946</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 333,435</b>	<b>\$ 42,921</b>	<b>\$ 5,957,189</b>

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 3,964,000	\$ 4,573,250	\$ 3,086,922	\$ (1,486,328)
Investment income	9,500	9,500	18,021	8,521
Miscellaneous	193,000	193,000	180,679	(12,321)
<b>Total revenues</b>	<b>4,166,500</b>	<b>4,775,750</b>	<b>3,285,622</b>	<b>(1,490,128)</b>
<b>EXPENDITURES</b>				
Current:				
Housing and community development	3,610,000	3,841,988	2,831,808	1,010,180
Capital Outlay	650,000	997,466	537,107	460,359
<b>Total expenditures</b>	<b>4,260,000</b>	<b>4,839,454</b>	<b>3,368,915</b>	<b>1,470,539</b>
Excess (deficiency) of revenues over (under) expenditures	(93,500)	(63,704)	(83,293)	(19,589)
Other financing sources (uses):				
Transfers in	-	32,000	32,000	-
Transfers out	-	(32,000)	(32,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(93,500)	(63,704)	(83,293)	(19,589)
Fund balances, beginning	1,135,123	1,135,123	1,135,123	-
Fund balances, ending	<u>\$ 1,041,623</u>	<u>\$ 1,071,419</u>	<u>\$ 1,051,830</u>	<u>\$ (19,589)</u>

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**FIRE IMPROVEMENT SPECIAL REVENUE FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,630,441	\$ 280,441
Intergovernmental	-	320,000	175,567	(144,433)
Investment income	30,000	30,000	114,077	84,077
Contributions and donations	-	-	1,971	1,971
Miscellaneous	-	10,000	12,876	2,876
<b>Total revenues</b>	<b>1,380,000</b>	<b>1,710,000</b>	<b>1,934,932</b>	<b>224,932</b>
<b>EXPENDITURES</b>				
Current:				
Public safety	30,000	426,000	192,978	233,022
Capital outlay	183,000	203,000	101,629	101,371
<b>Total expenditures</b>	<b>213,000</b>	<b>629,000</b>	<b>294,607</b>	<b>334,393</b>
Excess (deficiency) of revenues over (under) expenditures	1,167,000	1,081,000	1,640,325	559,325
Other financing sources (uses):				
Transfers out	(910,500)	(924,000)	(907,378)	16,622
Issuance of debt	225,000	225,000	-	(225,000)
<b>Total other financing sources (uses)</b>	<b>(685,500)</b>	<b>(699,000)</b>	<b>(907,378)</b>	<b>(208,378)</b>
Net change in fund balances	481,500	382,000	732,947	350,947
Fund balances, beginning	1,938,148	1,938,148	1,938,148	-
<b>Fund balances, ending</b>	<b>\$ 2,419,648</b>	<b>\$ 2,320,148</b>	<b>\$ 2,671,095</b>	<b>\$ 350,947</b>

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**MUNICIPAL AID SPECIAL REVENUE FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal grants	\$ 45,000	\$ 49,700	\$ 13,690	\$ (36,010)
State grants	125,000	125,000	151,471	26,471
Local grants	222,000	222,000	212,077	(9,923)
Liquid fuel tax	770,000	770,000	797,627	27,627
Mineral and coal severance tax	23,000	23,000	31,762	8,762
State special pay	831,500	831,500	767,898	(63,602)
Investment income	48,500	48,500	90,099	41,599
Miscellaneous	20,000	20,000	59,049	39,049
<b>Total revenues</b>	<b>2,085,000</b>	<b>2,089,700</b>	<b>2,123,673</b>	<b>33,973</b>
<b>EXPENDITURES</b>				
Current:				
Public safety	1,273,500	1,338,185	1,185,933	152,252
Public works	971,000	1,771,903	1,353,252	418,651
Capital Outlay	50,000	60,525	20,524	40,001
<b>Total expenditures</b>	<b>2,294,500</b>	<b>3,170,613</b>	<b>2,559,709</b>	<b>610,904</b>
Excess (deficiency) of revenues over (under) expenditures	(209,500)	(1,080,913)	(436,036)	644,877
Other financing sources (uses):				
Transfers in	20,500	20,500	25,082	4,582
Transfers out	(21,000)	(21,000)	-	21,000
<b>Total other financing sources (uses)</b>	<b>(500)</b>	<b>(500)</b>	<b>25,082</b>	<b>25,582</b>
<b>Net change in fund balances</b>	<b>(210,000)</b>	<b>(1,081,413)</b>	<b>(410,954)</b>	<b>670,459</b>
Fund balances, beginning	2,465,726	2,465,726	2,465,726	-
<b>Fund balances, ending</b>	<b>\$ 2,255,726</b>	<b>\$ 1,384,313</b>	<b>\$ 2,054,772</b>	<b>\$ 670,459</b>

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

PARKS DEVELOPMENT SPECIAL REVENUE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 394,000	\$ 378,000	\$ 378,000	\$ -
Licenses and permits	783,000	923,000	937,216	14,216
Total revenues	<u>1,177,000</u>	<u>1,301,000</u>	<u>1,315,216</u>	<u>14,216</u>
Other financing sources (uses):				
Transfers out	<u>(1,177,000)</u>	<u>(1,317,000)</u>	<u>(1,315,216)</u>	<u>1,784</u>
Total other financing sources (uses)	<u>(1,177,000)</u>	<u>(1,317,000)</u>	<u>(1,315,216)</u>	<u>1,784</u>
Net change in fund balances	-	(16,000)	-	16,000
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ (16,000)</u>	<u>\$ -</u>	<u>\$ 16,000</u>

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**JOB DEVELOPMENT INCENTIVE SPECIAL REVENUE FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 1,239,000	\$ 1,239,000	\$ 1,597,986	\$ 358,986
Miscellaneous	-	-	38,056	38,056
Investment income	27,500	27,500	73,086	45,586
<b>Total revenues</b>	<b>1,266,500</b>	<b>1,266,500</b>	<b>1,709,128</b>	<b>442,628</b>
Other financing sources (uses):				
Transfers out	(1,263,500)	(1,263,500)	(1,263,017)	483
<b>Total other financing sources (uses)</b>	<b>(1,263,500)</b>	<b>(1,263,500)</b>	<b>(1,263,017)</b>	<b>483</b>
Net change in fund balances	3,000	3,000	446,111	443,111
Fund balances, beginning	1,282,482	1,282,482	1,282,482	-
Fund balances, ending	<u>\$ 1,285,482</u>	<u>\$ 1,285,482</u>	<u>\$ 1,728,593</u>	<u>\$ 443,111</u>

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

LANDFILL CLOSURE SPECIAL REVENUE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest income	\$ 15,000	\$ 15,000	\$ 39,473	\$ 24,473
Rental income	90,000	90,000	227,500	137,500.00
Total revenues	105,000	105,000	266,973	161,973
<b>EXPENDITURES</b>				
Current:				
Public works	126,000	133,004	24,555	108,449
Net change in fund balances	(21,000)	(28,004)	242,418	\$ 270,422
Fund balances, beginning	766,991	766,991	766,991	-
Fund balances, ending	\$ 745,991	\$ 738,987	\$ 1,009,409	\$ 270,422

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

LOCAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 26,000	\$ 26,000	\$ 26,010	\$ 10
<b>EXPENDITURES</b>				
Current:				
Public safety	26,000	81,410	-	81,410
Net change in fund balances	-	(55,410)	26,010	81,420
Fund balances, beginning	21,078	21,078	21,078	-
Fund balances, ending	\$ 21,078	\$ (34,332)	\$ 47,088	\$ 81,420

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**TRUNKING OPERATION SPECIAL REVENUE FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 19,000	\$ 19,000	\$ 19,000	\$ -
Investment Income	-	-	336	336
Contributions and donations	4,500	4,500	4,560	60
<b>Total revenues</b>	<b>23,500</b>	<b>23,500</b>	<b>23,896</b>	<b>396</b>
<b>EXPENDITURES</b>				
Current:				
Public Works	42,500	42,500	37,464	5,036
Capital Outlay	-	50,000	47,751	2,249
<b>Total expenditures</b>	<b>42,500</b>	<b>92,500</b>	<b>85,215</b>	<b>7,285</b>
Excess (deficiency) of revenues over (under) expenditures	(19,000)	(69,000)	(61,319)	7,681
Other financing sources (uses):				
Transfers in	19,000	19,000	19,000	-
<b>Total other financing sources (uses)</b>	<b>19,000</b>	<b>19,000</b>	<b>19,000</b>	<b>-</b>
Net change in fund balances	-	(50,000)	(42,319)	7,681
Fund balances, beginning	96,271	96,271	96,271	-
<b>Fund balances, ending</b>	<b>\$ 96,271</b>	<b>\$ 46,271</b>	<b>\$ 53,952</b>	<b>\$ 7,681</b>

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

NEIGHBORHOOD GRANT SPECIAL REVENUE FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Current:				
General government	\$ 50,000	\$ 66,400	\$ 63,576	\$ 2,824
Total expenditures	50,000	66,400	63,576	2,824
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(66,400)	(63,576)	2,824
Other financing sources (uses):				
Transfers in	50,000	50,000	50,000	-
Net change in fund balances	-	(16,400)	(13,576)	2,824
Fund balances, beginning	16,414	16,414	16,414	-
Fund balances, ending	\$ 16,414	\$ 14	\$ 2,838	\$ 2,824

**CITY OF BOWLING GREEN, KENTUCKY**  
**BUDGETARY COMPARISON SCHEDULE**  
**TECHNOLOGY SPECIAL REVENUE FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Current:				
General government	100,000	103,000	17,343	85,657
Capital outlay	50,000	50,000	32,035	17,965
Total expenditures	150,000	153,000	49,378	103,622
Excess (deficiency) of revenues over (under) expenditures	(150,000)	(153,000)	(49,378)	103,622
Other financing sources (uses):				
Transfers in	150,000	150,000	150,000	-
Net change in fund balances	-	(3,000)	100,622	103,622
Fund balances, beginning	196,956	196,956	196,956	-
Fund balances, ending	\$ 196,956	\$ 193,956	\$ 297,578	\$ 103,622

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**LAMPKIN PARK TRUST FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 5,722	\$ 5,722
Contribution	4,000	4,000	-	(4,000)
Total revenues	4,000	4,000	5,722	1,722
Net change in fund balances	4,000	4,000	5,722	1,722
Fund balances, beginning	14,552	14,552	14,552	-
Fund balances, ending	\$ 18,552	\$ 18,552	\$ 20,274	\$ 1,722

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

PARKS COMMUNITY CENTER CAPITAL PROJECTS FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Investment income	-	-	156,686	156,686
	<u>6,000</u>	<u>6,000</u>	<u>156,686</u>	<u>150,686</u>
<b>EXPENDITURES</b>				
Debt Service	8,500	8,500	-	8,500
Capital outlay	506,000	4,957,244	715,815	4,241,429
	<u>514,500</u>	<u>4,965,744</u>	<u>715,815</u>	<u>4,249,929</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(508,500)</u>	<u>(4,959,744)</u>	<u>(559,129)</u>	<u>4,400,615</u>
Other financing sources (uses):				
Bond Proceeds	<u>508,500</u>	<u>508,500</u>	<u>-</u>	<u>(508,500)</u>
Net change in fund balances	-	(4,451,244)	(559,129)	3,892,115
Fund balances, beginning	<u>4,557,888</u>	<u>4,557,888</u>	<u>4,557,888</u>	<u>-</u>
Fund balances, ending	<u>\$ 4,557,888</u>	<u>\$ 106,644</u>	<u>\$ 3,998,759</u>	<u>\$ 3,892,115</u>

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**DOWNTOWN REVITALIZATION CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	6,000	6,000
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>6,000</b>	<b>6,000</b>
<b>EXPENDITURES</b>				
Current				
Housing and community development	-	381,500	100,379	281,121
Debt Service	51,500	51,500	-	51,500
Capital outlay	3,100,000	4,350,000	1,252,140	3,097,860
<b>Total expenditures</b>	<b>3,151,500</b>	<b>4,783,000</b>	<b>1,352,519</b>	<b>3,430,481</b>
Excess (deficiency) of revenues over (under) expenditures	(3,151,500)	(4,783,000)	(1,346,519)	3,436,481
Other financing sources (uses):				
Bond Proceeds	3,151,500	3,151,500	-	3,151,500
Proceeds from sale of capital assets	-	1,000,000	1,000,000	-
Transfers in	-	631,500	631,500	-
<b>Total other financing sources (uses)</b>	<b>3,151,500</b>	<b>4,783,000</b>	<b>1,631,500</b>	<b>3,151,500</b>
Net change in fund balances	-	-	284,981	284,981
Fund balances, beginning	30,003	30,003	30,003	-
Fund balances, ending	\$ 30,003	\$ 30,003	\$ 314,984	\$ 284,981

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**14th STREET CONSTRUCTION FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Investment income	\$ -	\$ -	\$ 14,917	\$ 14,917
<b>EXPENDITURES</b>				
Debt Service	10,000	10,000	-	10,000
Capital outlay	590,000	400,000	36,174	363,826
	600,000	410,000	36,174	373,826
Excess (deficiency) of revenues over (under) expenditures	(600,000)	(410,000)	(21,257)	388,743
Other financing sources (uses):				
General obligation bonds issued	600,000	10,000	-	(10,000)
Total other financing sources (uses)	600,000	10,000	-	(10,000)
Net change in fund balances	-	(400,000)	(21,257)	378,743
Fund balances, beginning	400,123	400,123	400,123	-
Fund balances, ending	\$ 400,123	\$ 123	\$ 378,866	\$ 378,743

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

RIVERFRONT DEVELOPMENT CAPITAL PROJECTS FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 5,721,640	\$ 1,695,008	\$ (4,026,632)
<b>EXPENDITURES</b>				
Current				
Housing and community development		2,294,000	902,141	1,391,859
Capital outlay	-	3,481,730	792,867	2,688,863
Total expenditures	-	5,775,730	1,695,008	4,080,722
Net change in fund balances	-	(54,090)	-	54,090
Fund balances, beginning	576	576	576	-
Fund balances, ending	\$ 576	\$ (53,514)	\$ 576	\$ 54,090

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

EQUIPMENT REPLACEMENT CAPITAL PROJECTS FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 2,004	\$ 2,004
<b>EXPENDITURES</b>				
Capital outlay	899,000	899,000	792,573	106,427
Excess (deficiency) of revenues over (under) expenditures	(899,000)	(899,000)	(790,569)	108,431
Other financing sources (uses):				
Transfers in	-	899,000	854,834	(44,166)
Capital lease proceeds	899,000	-	-	-
Total other financing sources (uses)	899,000	899,000	854,834	(44,166)
Net change in fund balances	-	-	64,265	64,265
Fund balances, beginning	13,840	13,840	13,840	-
Fund balances, ending	\$ 13,840	\$ 13,840	\$ 78,105	\$ 64,265

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

SOUTHWEST CORRIDOR CAPITAL PROJECTS FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Current				
Debt Service	\$ 4,000	\$ 4,000	\$ -	\$ 4,000
Public works	-	25,640	8,748	16,892
Capital outlay	250,000	580,000	310,295	269,705
Total expenditures	254,000	609,640	319,043	290,597
Excess (deficiency) of revenues over (under) expenditures	(254,000)	(609,640)	(319,043)	290,597
Other financing sources (uses):				-
Bond Proceeds	254,000	334,000	-	(334,000)
Net change in fund balances	-	(275,640)	(319,043)	(43,403)
Fund balances, beginning	280,640	280,640	280,640	-
Fund balances, ending	\$ 280,640	\$ 5,000	\$ (38,403)	\$ (43,403)

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

ROAD CONSTRUCTION CAPITAL PROJECTS FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 417,745	\$ 403,774	\$ (13,971)
<b>EXPENDITURES</b>				
Capital outlay	-	1,747,661	849,535	898,126
Excess (deficiency) of revenues over (under) expenditures	-	(1,329,916)	(445,761)	(884,155)
Other financing sources (uses):				
Proceeds from sale of capital assets	-	46,000	-	(46,000)
Net change in fund balances	-	(1,283,916)	(445,761)	838,155
Fund balances, beginning	1,293,707	1,293,707	1,293,707	-
Fund balances, ending	\$ 1,293,707	\$ 9,791	\$ 847,946	\$ 838,155

CITY OF BOWLING GREEN, KENTUCKY

BUDGETARY COMPARISON SCHEDULE

POLICE HEADQUARTERS EXPANSION CAPITAL PROJECTS FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Current				
Public Safety	\$ -	\$ 3,000	\$ 2,407	\$ 593
Capital outlay	-	135,902	136,495	(593)
Total expenditures	-	138,902	138,902	-
Net change in fund balances	-	(138,902)	(138,902)	-
Fund balances, beginning	138,902	138,902	138,902	-
Fund balances, ending	\$ 138,902	\$ -	\$ -	\$ -

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

OPERATIONS RELOCATION CAPITAL PROJECTS FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with final budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ 17,724	\$ 17,724	\$ -
Net change in fund balances	-	(17,724)	(17,724)	-
Fund balances, beginning	17,724	17,724	17,724	-
Fund balances, ending	\$ 17,724	\$ -	\$ -	\$ -

**CITY OF BOWLING GREEN, KENTUCKY**

BUDGETARY COMPARISON SCHEDULE

PARKS IMPROVEMENT CAPITAL PROJECTS FUND

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Contributions and donations	\$ -	\$ 15,000	\$ 15,000	\$ -
<b>EXPENDITURES</b>				
Debt Service	15,000	15,000	-	15,000
Capital outlay	900,000	1,550,876	372,321	1,178,555
	<u>915,000</u>	<u>1,565,876</u>	<u>372,321</u>	<u>1,193,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(915,000)</u>	<u>(1,550,876)</u>	<u>(357,321)</u>	<u>1,193,555</u>
Other financing sources (uses):				
Bonds Proceeds	915,000	865,000	-	(865,000)
Transfers in	-	50,000	50,000	-
	<u>915,000</u>	<u>915,000</u>	<u>50,000</u>	<u>(865,000)</u>
Total other financing sources (uses)	<u>915,000</u>	<u>915,000</u>	<u>50,000</u>	<u>(865,000)</u>
Net change in fund balances	-	(635,876)	(307,321)	328,555
Fund balances, beginning	<u>640,756</u>	<u>640,756</u>	<u>640,756</u>	<u>-</u>
Fund balances, ending	<u>\$ 640,756</u>	<u>\$ 4,880</u>	<u>\$ 333,435</u>	<u>\$ 328,555</u>

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**LONG RANGE TRANSPORTATION CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Debt Service	\$ 10,500	\$ 10,500	\$ -	\$ 10,500
Capital outlay	410,000	1,184,000	239,079	944,921
	<u>420,500</u>	<u>1,194,500</u>	<u>239,079</u>	<u>955,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(420,500)</u>	<u>(1,194,500)</u>	<u>(239,079)</u>	<u>955,421</u>
Other financing sources (uses):				
Bonds Proceeds	416,500	416,500	-	(416,500)
Transfers out	(250,000)	-	-	-
Transfers in	254,000	778,000	282,000	(496,000)
	<u>420,500</u>	<u>1,194,500</u>	<u>282,000</u>	<u>(912,500)</u>
Total other financing sources (uses)				
Net change in fund balances	-	-	42,921	42,921
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,921</u>	<u>\$ 42,921</u>

**CITY OF BOWLING GREEN, KENTUCKY**

**BUDGETARY COMPARISON SCHEDULE**

**DEBT SERVICE FUND**

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 3,082	\$ 3,082
<b>EXPENDITURES</b>				
Principal retirement	3,517,700	3,534,204	3,506,898	27,306
Interest and fiscal charges	3,450,800	3,471,296	3,403,726	67,570
Total expenditures	6,968,500	7,005,500	6,910,624	94,876
Excess (deficiency) of revenues over (under) expenditures	(6,968,500)	(7,005,500)	(6,907,542)	97,958
Other financing sources (uses):				
Transfers in	6,968,500	7,005,500	6,907,709	(97,791)
Net change in fund balances	-	-	167	167
Fund balances, beginning	104,949	104,949	104,949	-
Fund balances, ending	\$ 104,949	\$ 104,949	\$ 105,116	\$ 167

## **NONMAJOR GOVERNMENTAL FUNDS**

### **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other governmental units, on a cost reimbursement basis.

#### **Fleet Maintenance Fund**

This fund is used to account for the operating costs of centralized maintenance of automotive equipment used by other City departments. Department billings are on a cost reimbursement basis.

#### **Employee Health Care Fund**

This fund is used to account for the accumulation of resources for the purpose of funding medical costs of City employees and dependents.

#### **Workers Compensation Fund**

This fund is used to account for the accumulation of resources for the purpose of funding workers compensation costs of City employees.

**CITY OF BOWLING GREEN, KENTUCKY**

**COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS**

June 30, 2006

	<b>Fleet Maintenance</b>	<b>Employee Health Care</b>	<b>Workers Compensation</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets				
Pooled cash and cash equivalents	\$ 115,775	\$ 1,764,910	\$ 66,402	\$ 1,947,087
Non-pooled cash and cash equivalents	-	5,000	-	5,000
Investments	-	1,059,121	945,126	2,004,247
Accounts receivable	236	2,172	-	2,408
Interest receivable	-	926	12,917	13,843
Inventories	75,451	-	-	75,451
Prepaid items	-	-	215,113	215,113
	<u>191,462</u>	<u>2,832,129</u>	<u>1,239,558</u>	<u>4,263,149</u>
Noncurrent assets				
Capital assets				
Building	202,590	-	-	202,590
Machinery and equipment	<u>223,648</u>	<u>-</u>	<u>27,682</u>	<u>251,330</u>
	426,238	-	27,682	453,920
Less accumulated depreciation	<u>(232,254)</u>	<u>-</u>	<u>(8,877)</u>	<u>(241,131)</u>
	<u>193,984</u>	<u>-</u>	<u>18,805</u>	<u>212,789</u>
Total capital assets, net of accumulated depreciation	<u>193,984</u>	<u>-</u>	<u>18,805</u>	<u>212,789</u>
Total assets	<u>\$ 385,446</u>	<u>\$ 2,832,129</u>	<u>\$ 1,258,363</u>	<u>\$ 4,475,938</u>
<b>LIABILITIES</b>				
Current liabilities				
Vouchers and accounts payable	\$ 45,094	\$ 15,586	\$ 22,321	\$ 83,001
Accrued payroll	4,605	261	351	5,217
Insurance claims payable	<u>-</u>	<u>155,883</u>	<u>192,116</u>	<u>347,999</u>
Total current liabilities	<u>49,699</u>	<u>171,730</u>	<u>214,788</u>	<u>436,217</u>
Noncurrent liabilities				
Compensated absences payable	<u>16,064</u>	<u>-</u>	<u>-</u>	<u>16,064</u>
Total liabilities	<u>65,763</u>	<u>171,730</u>	<u>214,788</u>	<u>452,281</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	193,984	-	18,805	212,789
Unrestricted	<u>125,699</u>	<u>2,660,399</u>	<u>1,024,770</u>	<u>3,810,868</u>
Total net assets	<u>\$ 319,683</u>	<u>\$ 2,660,399</u>	<u>\$ 1,043,575</u>	<u>\$ 4,023,657</u>

**CITY OF BOWLING GREEN, KENTUCKY**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

For the year ended June 30, 2006

	<b>Fleet Maintenance</b>	<b>Employee Health Care</b>	<b>Workers Compensation</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,113,136	\$ -	\$ -	\$ 1,113,136
Insurance premiums	-	4,442,599	895,850	5,338,449
Judgements and settlements	132	-	-	132
Miscellaneous	269	-	-	269
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	1,113,537	4,442,599	895,850	6,451,986
<b>OPERATING EXPENSES</b>				
Personnel services	419,004	20,336	29,049	468,389
Contractual services	9,839	122,644	-	132,483
Supplies	738,678	598	16,597	755,873
Repairs and maintenance	82,780	-	-	82,780
Insurance premiums and claims	-	3,058,832	388,277	3,447,109
Depreciation	20,079	-	2,537	22,616
Miscellaneous	41,418	-	-	41,418
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	1,311,798	3,202,410	436,460	4,950,668
Operating income	(198,261)	1,240,189	459,390	1,501,318
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	8,030	71,326	58,220	137,576
Loss on disposal of capital assets	(446)	-	-	(446)
	<hr/>	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	7,584	71,326	58,220	137,130
Income before transfers	(190,677)	1,311,515	517,610	1,638,448
Transfers in	127,500	-	-	127,500
Transfers out	-	-	(200,000)	(200,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(63,177)	1,311,515	317,610	1,565,948
Net assets, beginning	382,860	1,348,884	725,965	2,457,709
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, ending	\$ 319,683	\$ 2,660,399	\$ 1,043,575	\$ 4,023,657

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

For the year ended June 30, 2006

	Fleet Maintenance	Employee Health Care	Workers Compensation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,113,533	\$ 4,440,427	\$ 895,850	\$ 6,449,810
Payments to employees and suppliers	(1,288,461)	(128,840)	(118,266)	(1,535,567)
Insurance premiums and claims paid	-	(3,145,274)	(560,571)	(3,705,845)
Net cash provided by (used in) operating activities	<u>(174,928)</u>	<u>1,166,313</u>	<u>217,013</u>	<u>1,208,398</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	127,500	-	-	127,500
Transfers out	-	-	(200,000)	(200,000)
Net cash provided by (used in) noncapital financing activities	<u>127,500</u>	<u>-</u>	<u>(200,000)</u>	<u>(72,500)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(63,512)	(1,059,121)	(9,920)	(1,132,553)
Net cash used in capital and related financing activities	<u>(63,512)</u>	<u>(1,059,121)</u>	<u>(9,920)</u>	<u>(1,132,553)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	8,030	72,151	54,928	135,109
Purchase of investments	-	-	(196,769)	(196,769)
Net cash provided by (used in) investing activities	<u>8,030</u>	<u>72,151</u>	<u>(141,841)</u>	<u>(61,660)</u>
Net increase (decrease) in cash and cash equivalents	(102,910)	179,343	(134,748)	(58,315)
Cash and cash equivalents, beginning of year	<u>218,685</u>	<u>1,590,567</u>	<u>201,150</u>	<u>2,010,402</u>
Cash and cash equivalents, end of year	<u>\$ 115,775</u>	<u>\$ 1,769,910</u>	<u>\$ 66,402</u>	<u>\$ 1,952,087</u>
Reconciliation of operating income (loss)				
to net cash provided by (used in) operating activities				
Operating income	\$ (198,261)	\$ 1,240,189	\$ 459,390	\$ 1,501,318
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	20,079	-	2,537	22,616
Change in assets and liabilities				
Increase in accounts receivable	(4)	(2,172)	-	(2,176)
Increase in inventories	(2,302)	-	-	(2,302)
Increase in prepaid items	-	-	(73,867)	(73,867)
Increase in accounts payable	4,470	14,628	1,200	20,298
Increase in compensated absences	762	-	-	762
Increase in accrued payroll	328	110	47	485
Decrease in insurance claims payable	-	(86,442)	(172,294)	(258,736)
Net cash provided by (used in) operating activities	<u>\$ (174,928)</u>	<u>\$ 1,166,313</u>	<u>\$ 217,013</u>	<u>\$ 1,208,398</u>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **AGENCY FUNDS**

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

#### **Claims Fund**

Imprest vendor paying agent for all government funds.

#### **Payroll Fund**

Imprest paying agent for City payroll.

#### **Tourist & Convention Fund**

This fund is used to account for the collection of a 3% hotel, motel transient room tax and payment to the Bowling Green Area Convention and Visitors Bureau.

#### **Tax Distribution Fund**

This fund is used to account for property tax collections and disbursement to General Fund and the Bowling Green Independent School System for property taxes billed and collected by the City on its behalf.

#### **Treasurer's Distribution Fund**

This fund is used to account for collection of miscellaneous receipts requiring disbursement to two or more City funds.

#### **CDBG – Agency Leave Accrual Fund**

This fund is used to account for current year funding of Community Development personnel accrued leave.

#### **Special Employee/Explorer Fund**

This fund is used to account for revenues and disbursements used for special employee activities. The fund is maintained by balance sheet only and requires no adopted budget.

**CITY OF BOWLING GREEN, KENTUCKY**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**

For the year ended June 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b><u>CLAIMS FUND</u></b>				
Assets				
Non-pooled cash and cash equivalents	\$ 150,000	\$ 82,963,853	\$ 82,963,853	\$ 150,000
Liabilities				
Other liabilities	\$ 150,000	\$ 82,963,853	\$ 82,963,853	\$ 150,000
<b><u>PAYROLL FUND</u></b>				
Assets				
Non-pooled cash and cash equivalents	\$ 25,101	\$ 26,223,148	\$ 26,223,137	\$ 25,112
Liabilities				
Other liabilities	\$ 25,101	\$ 26,223,148	\$ 26,223,137	\$ 25,112
<b><u>TOURIST &amp; CONVENTION FUND</u></b>				
Assets				
Pooled cash and cash equivalents	\$ -	\$ 1,153,904	\$ 1,153,904	\$ -
Liabilities				
Due to Tourist Commission	\$ -	\$ 289,581	\$ 289,581	\$ -
Due to Convention Center Corp.	-	864,323	864,323	-
Total liabilities	\$ -	\$ 1,153,904	\$ 1,153,904	\$ -
<b><u>TAX DISTRIBUTION FUND</u></b>				
Assets				
Pooled cash and cash equivalents	\$ -	\$ 15,461,693	\$ 15,461,693	\$ -
Liabilities				
Due to other funds	\$ -	\$ 8,557,581	\$ 8,557,581	\$ -
Due to other taxing units - School Board	-	6,738,480	6,738,480	-
Other liabilities	-	165,632	165,632	-
Total liabilities	\$ -	\$ 15,461,693	\$ 15,461,693	\$ -
<b><u>TREASURER'S DISTRIBUTION FUND</u></b>				
Assets				
Pooled cash and cash equivalents	\$ 630,623	\$ 115,389	\$ 115,389	\$ 630,623
Liabilities				
Due to other governmental units	\$ 630,623	\$ 115,389	\$ 115,389	\$ 630,623

**CITY OF BOWLING GREEN, KENTUCKY**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**

For the year ended June 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b><u>CDBG - AGENCY LEAVE ACCRUAL FUND</u></b>				
Assets				
Non-pooled cash and cash equivalents	\$ 11,563	\$ 54	\$ -	\$ 11,617
Liabilities				
Due to other funds	\$ 11,563	\$ 54	\$ -	\$ 11,617
<b><u>SPECIAL EMPLOYEE/EXPLORER FUND</u></b>				
Assets				
Pooled cash and equivalents	\$ -	\$ 17,040	\$ -	\$ 17,040
Liabilities				
Due to employees	\$ -	\$ 17,040	\$ -	\$ 17,040
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
Assets				
Pooled cash and cash equivalents	\$ 630,623	\$ 16,748,026	\$ 16,730,986	\$ 647,663
Non-pooled cash and cash equivalents	186,664	109,187,055	109,186,990	186,729
Total assets	\$ 817,287	\$ 125,935,081	\$ 125,917,976	\$ 834,392
Liabilities				
Due to other funds	\$ 11,563	\$ 8,557,635	\$ 8,557,581	\$ 11,617
Due to Tourist Commission	-	289,581	289,581	-
Due to Convention Center Corp.	-	864,323	864,323	-
Due to other taxing units - School Board	-	6,738,480	6,738,480	-
Due to other governmental units	630,623	115,389	115,389	630,623
Due to employees	-	17,040	-	17,040
Other liabilities	175,101	109,352,633	109,352,622	175,112
Total liabilities	\$ 817,287	\$ 125,935,081	\$ 125,917,976	\$ 834,392

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2006

	<b>Bowling Green Municipal Utilities</b>			<b>Total</b>
	<b>Electric Division</b>	<b>Water-Sewer Division</b>	<b>General Services Division</b>	
<b>ASSETS</b>				
Non-pooled cash and cash equivalents	\$ 6,937,918	\$ 8,420,079	\$ 101,037	\$ 15,459,034
Receivables (net):				
Accounts	2,831,339	401,915	1,500	3,234,754
Other	499,918	203,385	1,902	705,205
Accrued interest	-	254,055	-	254,055
Inventories	635,620	123,944	-	759,564
Prepaid items	451,463	414,437	3,276	869,176
Long-term investments	100,000	-	-	100,000
Restricted cash - TVA	5,150,306	-	-	5,150,306
Investments and restricted funds	9,974,974	3,775,524	-	13,750,498
Due from component units, noncurrent	-	5,000,000	-	5,000,000
Capital assets, net of accumulated depreciation:				
Non-depreciable	2,237,615	16,088,863	4,536	18,331,014
Depreciable	36,430,706	54,560,340	2,958,339	93,949,385
Deferred charges	-	268,785	-	268,785
Other assets	370,832	-	-	370,832
<b>Total assets</b>	<b>65,620,691</b>	<b>89,511,327</b>	<b>3,070,590</b>	<b>158,202,608</b>
<b>LIABILITIES</b>				
Vouchers and accounts payable	5,828,677	1,374,925	3,513	7,207,115
Compensated absences payable	358,659	200,361	-	559,020
Accrued interest payable	1,240,750	55,798	-	1,296,548
Due to component unit	-	-	265,510	265,510
Security deposits	2,290,999	-	-	2,290,999
Other current liabilities	381,368	61,672	-	443,040
Compensated absences payable, noncurrent	135,991	93,816	-	229,807
Advances from TVA - conservation program	45,194	-	-	45,194
Customer advances	135,159	-	-	135,159
Noncurrent liabilities:				
Due within one year	850,000	1,168,532	-	2,018,532
Due in more than one year	12,742,852	19,117,051	-	31,859,903
Due to component unit	-	-	5,000,000	5,000,000
<b>Total liabilities</b>	<b>24,009,649</b>	<b>22,072,155</b>	<b>5,269,023</b>	<b>51,350,827</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	25,075,469	50,451,522	-	75,526,991
Restricted for capital activity and debt service	9,974,974	3,775,524	-	13,750,498
Unrestricted	6,560,599	13,212,126	(2,198,433)	17,574,292
<b>Total net assets</b>	<b>\$ 41,611,042</b>	<b>\$ 67,439,172</b>	<b>\$ (2,198,433)</b>	<b>\$ 106,851,781</b>

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF ACTIVITIES - COMPONENT UNITS

For the year ended June 30, 2006

Bowling Green Municipal Utilities	Program Revenues				Net (expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Contributions	Capital Contributions	Electric System	Water and Sewer System	Fiber Optic System	Totals
Electric Division	\$ 61,605,396	\$ 63,392,341	\$ -	\$ -	\$ 1,786,945	\$ -	\$ -	\$ 1,786,945
Water-Sewer Division	11,331,164	11,435,536	-	765,242	-	869,614	-	869,614
Fiber Optic System	<u>1,074,532</u>	<u>647,161</u>	-	-	-	-	(427,371)	(427,371)
Total component units	<u>\$ 74,011,092</u>	<u>\$ 75,475,038</u>	<u>\$ -</u>	<u>\$ 765,242</u>	<u>1,786,945</u>	<u>869,614</u>	<u>(427,371)</u>	<u>2,229,188</u>
<b>General revenues:</b>								
					-	19,024	-	19,024
					598,906	746,578	-	1,345,484
					27,617	-	6,010	33,627
					-	320,014	-	320,014
					<u>626,523</u>	<u>1,085,616</u>	<u>6,010</u>	<u>1,718,149</u>
					2,413,468	1,955,230	(421,361)	3,947,337
					<u>39,197,574</u>	<u>65,483,942</u>	<u>(1,777,072)</u>	<u>102,904,444</u>
					<u>\$ 41,611,042</u>	<u>\$ 67,439,172</u>	<u>\$ (2,198,433)</u>	<u>\$ 106,851,781</u>

**Schedule 1**  
**City of Bowling Green**  
**Net Assets by Component**  
**Last Four Fiscal Years**  
(accrual basis of accounting)

	<b>Fiscal Year</b>			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 61,920,839	\$ 48,982,175	\$ 47,421,777	\$ 39,857,501
Restricted	7,114,135	8,614,231	2,697,480	2,487,100
Unrestricted	32,220,951	24,642,192	14,287,360	12,004,217
Total governmental activities net assets	<u>\$ 101,255,925</u>	<u>\$ 82,238,598</u>	<u>\$ 64,406,617</u>	<u>\$ 54,348,818</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 4,391,188	\$ 4,007,468	\$ 4,148,183	\$ 4,189,200
Restricted	-	533	16,967	996
Unrestricted	1,908,071	1,503,788	1,618,039	1,827,602
Total business-type activities net assets	<u>\$ 6,299,259</u>	<u>\$ 5,511,789</u>	<u>\$ 5,783,189</u>	<u>\$ 6,017,798</u>
Primary government				
Invested in capital assets, net of related debt	\$ 66,312,027	\$ 52,989,643	\$ 51,569,960	\$ 44,046,701
Restricted	7,114,135	8,614,764	2,714,447	2,488,096
Unrestricted	34,129,022	26,145,980	15,905,399	13,831,819
Total primary government net assets	<u>\$ 107,555,184</u>	<u>\$ 87,750,387</u>	<u>\$ 70,189,806</u>	<u>\$ 60,366,616</u>

**Schedule 2**  
**City of Bowling Green**  
**Changes in Net Assets, Last Four Fiscal Years**  
(accrual basis of accounting)

	<b>Fiscal Year</b>			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 10,620,708	\$ 9,839,358	\$ 5,895,705	\$ 5,032,369
Public safety	17,028,198	16,864,958	16,260,982	14,807,559
Public works	6,407,082	6,126,248	5,144,685	4,579,303
Parks and recreation	4,318,574	4,056,394	3,989,799	3,985,463
Housing and community development	5,221,716	4,170,122	3,716,744	3,194,764
Community services	2,585,297	2,445,889	2,406,986	811,445
Miscellaneous	-	5,595	280,874	112,656
Interest expense	3,478,617	3,470,870	2,991,536	2,899,766
Total governmental activities expenses	<u>49,660,192</u>	<u>46,979,434</u>	<u>40,687,311</u>	<u>35,423,325</u>
Business-type activities:				
Golf course	2,316,855	2,251,191	2,116,158	2,026,116
Aquatics	877,479	1,039,779	991,237	947,862
Convention center	897,524	1,087,721	1,136,688	1,381,268
Total business-type activities expenses	<u>4,091,858</u>	<u>4,378,691</u>	<u>4,244,083</u>	<u>4,355,246</u>
Total primary government expenses	<u>\$ 53,752,050</u>	<u>\$ 51,358,125</u>	<u>\$ 44,931,394</u>	<u>\$ 39,778,571</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services:				
General government	\$ 1,072,180	\$ 1,248,536	\$ 603,853	\$ 551,996
Public safety	199,137	572,295	113,112	122,074
Public works	-	-	668,347	443,695
Parks and recreation	361,444	351,497	591,871	539,792
Operating grants and contributions	5,614,030	5,242,315	5,570,258	4,075,055
Capital grants and contributions	7,856,470	4,185,783	2,847,325	1,692,749
Total governmental activities program revenues	<u>15,103,261</u>	<u>11,600,426</u>	<u>10,394,766</u>	<u>7,425,361</u>
Business-type activities:				
Charges for services:				
Golf course	1,369,313	1,326,003	1,388,009	1,337,477
Aquatics	461,381	460,480	490,405	466,250
Convention center	312,682	570,517	287,876	227,416
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>2,143,376</u>	<u>2,357,000</u>	<u>2,166,290</u>	<u>2,031,143</u>
Total primary government program revenues	<u>\$ 17,246,637</u>	<u>\$ 13,957,426</u>	<u>\$ 12,561,056</u>	<u>\$ 9,456,504</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (34,556,931)	\$ (35,379,008)	\$ (30,292,545)	\$ (27,997,964)
Business-type activities	(1,948,482)	(2,021,691)	(2,077,793)	(2,324,103)
Total primary government net expense	<u>\$ (36,505,413)</u>	<u>\$ (37,400,699)</u>	<u>\$ (32,370,338)</u>	<u>\$ (30,322,067)</u>

**Schedule 2 - Continued**  
**City of Bowling Green**  
**Changes in Net Assets, Last Four Fiscal Years**  
(accrual basis of accounting)

	<b>Fiscal Year</b>			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>General Revenues and Other Charges in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 13,163,115	\$ 10,797,549	\$ 10,401,190	\$ 9,590,687
Licenses and permits	37,285,158	35,711,658	29,965,370	22,315,645
Gain (loss) on sale of capital assets	44,519	6,107	(226,900)	47,927
Judgements and settlements	730,458	427,363	-	-
Investment income	1,787,940	957,679	588,707	160,956
Miscellaneous	148,603	1,302,587	1,235,134	609,723
Transfers	(2,318,501)	(1,651,859)	(1,613,157)	(3,312,325)
Total governmental activities	<u>50,841,292</u>	<u>47,551,084</u>	<u>40,350,344</u>	<u>29,412,613</u>
Business-type activities:				
Taxes				
Property taxes	-	-	512,710	415,371
Other taxes	373,236	379,571	-	-
Gain (loss) on sale of capital assets	(10,854)	10,386	(777)	-
Judgements and settlements	-	-	16,162	608,757
Investment income	55,069	39,089	11,987	10,486
Miscellaneous	-	17,542	-	-
Transfers	2,318,501	1,651,859	1,613,157	1,558,213
Total business-type activities	<u>2,735,952</u>	<u>2,098,447</u>	<u>2,153,239</u>	<u>2,592,827</u>
Total primary government	<u>\$ 53,577,244</u>	<u>\$ 49,649,531</u>	<u>\$ 42,503,583</u>	<u>\$ 32,005,440</u>
<b>Changes in Net Assets</b>				
Governmental activities	\$ 16,284,361	\$ 12,172,076	\$ 10,057,799	\$ 1,414,649
Business-type activities	787,470	76,756	75,446	268,724
Total primary government	<u>\$ 17,071,831</u>	<u>\$ 12,248,832</u>	<u>\$ 10,133,245</u>	<u>\$ 1,683,373</u>

**Schedule 3**  
**City of Bowling Green**  
**Fund Balances, Governmental Funds**  
**Last 10 Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General Fund										
Reserved	\$ 681,409	\$ 573,802	\$ 991,825	\$ 218,439	\$ 81,981	\$ 312,049	\$ 650,543	\$ 443,056	\$ 274,383	\$ 751,829
Unreserved	<u>21,042,696</u>	<u>16,742,378</u>	<u>10,721,868</u>	<u>6,356,566</u>	<u>5,296,729</u>	<u>4,967,068</u>	<u>6,528,991</u>	<u>6,471,511</u>	<u>6,035,724</u>	<u>6,848,062</u>
Total General Fund	<u>\$ 21,724,105</u>	<u>\$ 17,316,180</u>	<u>\$ 11,713,693</u>	<u>\$ 6,575,005</u>	<u>\$ 5,378,710</u>	<u>\$ 5,279,117</u>	<u>\$ 7,179,534</u>	<u>\$ 6,914,567</u>	<u>\$ 6,310,107</u>	<u>\$ 7,599,891</u>
All Other Governmental Funds										
Reserved	\$ 4,340,670	\$ 3,348,334	\$ 5,115,715	\$ 2,918,016	\$ 3,148,326	\$ 977,306	\$ 5,850,697	\$ 2,638,904	\$ 1,375,118	\$ 2,130,955
Unreserved, reported in:										
Special Revenue funds	8,367,593	7,091,740	5,305,482	4,666,800	4,935,865	4,745,790	5,344,930	4,795,362	4,243,548	2,094,750
Capital Projects funds	2,747,696	4,887,593	6,722,685	(1,005,211)	1,163,437	3,154,485	3,675,732	(1,055,760)	(373,797)	1,422,193
Debt Service funds	105,116	104,949 <sup>a</sup>	-	-	-	-	-	-	-	-
Permanent fund	<u>32,288</u>	<u>541,276</u>	<u>104,014</u>	<u>97,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 15,593,363</u>	<u>\$ 15,973,892</u>	<u>\$ 17,247,896</u>	<u>\$ 6,677,035</u>	<u>\$ 9,247,628</u>	<u>\$ 8,877,581</u>	<u>\$ 14,871,359</u>	<u>\$ 6,378,506</u>	<u>\$ 5,244,869</u>	<u>\$ 5,647,898</u>

Note: (a) FY2005 was the first year Debt Service funds had a fund balance.

**Schedule 4**  
**City of Bowling Green**  
**Changes in Fund Balances, Governmental Funds**  
**Last 10 Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>Revenues</b>										
Taxes	\$ 13,163,115	\$ 10,797,549	\$ 10,401,190	\$ 9,590,687	\$ 9,182,285	\$ 8,532,853	\$ 8,040,906	\$ 8,764,666	\$ 8,181,580	\$ 7,549,715
Licenses and permits	37,285,157	35,711,658	31,085,066	23,100,389	21,700,035	20,372,698	20,145,980	18,063,553	16,677,492	17,916,208
Intergovernmental	9,868,433	9,428,098	8,417,583	5,767,804	5,421,909	5,023,739	4,877,776	4,333,273	3,833,551	3,283,467
Charges for services	571,009	572,295	451,453	510,395	399,777	394,218	418,548	399,650	430,821	363,139
Parks and recreation	361,444	351,497	383,879	340,043	324,083	279,206	368,710	355,779	362,266	348,527
Miscellaneous	<u>3,050,865</u>	<u>2,188,073</u>	<u>1,813,668</u>	<u>754,555</u>	<u>1,094,389</u>	<u>1,955,883</u>	<u>1,999,519</u>	<u>1,517,791</u>	<u>1,351,946</u>	<u>1,309,938</u>
Total revenues	<u>64,300,023</u>	<u>59,049,170</u>	<u>52,552,839</u>	<u>40,063,873</u>	<u>38,122,478</u>	<u>36,558,597</u>	<u>35,851,439</u>	<u>33,434,712</u>	<u>30,837,656</u>	<u>30,770,994</u>
<b>Expenditures</b>										
General government	6,490,388	6,034,350	5,721,598	4,858,711	6,591,301	5,829,413	5,426,425	5,373,088	4,563,759	4,442,719
Public safety	19,849,913	17,481,667	15,716,344	14,079,630	12,068,648	12,772,406	12,964,877	11,257,640	10,199,692	10,170,085
Public works	7,518,741	6,504,418	5,204,488	4,935,979	4,716,384	6,541,610	7,267,295	5,105,235	4,500,375	4,019,686
Parks and recreation	4,274,028	3,913,462	3,722,246	3,698,588	3,281,851	4,544,635	4,142,750	3,397,841	2,944,997	2,971,245
Housing and community development	5,298,730	4,253,515	3,784,107	3,199,980	32,917,328	3,934,528	3,120,044	3,149,569	3,123,637	2,191,542
Community services	2,576,613	2,437,205	2,373,892	778,323	1,336,663	1,316,248	1,049,825	918,526	897,680	826,885
Miscellaneous	-	5,595	285,827	111,458	111,095	182,859	20,528	20,363	258,583	950,000
Capital outlay	6,254,064	9,846,885	10,198,474	3,547,072	2,936,024	7,945,496	6,753,576	3,792,979	2,734,932	3,785,652
Debt service:										
Principal	3,506,898	2,648,501	2,172,095	4,912,967	2,063,834	1,962,333	8,256,630	1,980,036	1,717,482	2,724,137
Interest and fiscal charges	<u>3,403,726</u>	<u>3,576,060</u>	<u>3,206,406</u>	<u>2,866,115</u>	<u>1,931,663</u>	<u>1,550,308</u>	<u>1,055,204</u>	<u>921,869</u>	<u>940,895</u>	<u>830,286</u>
Total Expenditures	<u>59,173,101</u>	<u>56,701,658</u>	<u>52,385,477</u>	<u>42,988,823</u>	<u>67,954,791</u>	<u>46,579,836</u>	<u>50,057,154</u>	<u>35,917,146</u>	<u>31,882,032</u>	<u>32,912,237</u>
Excess (deficiency) of revenues over (under) expenditures	5,126,922	2,347,512	167,362	(2,924,950)	(29,832,313)	(10,021,239)	(14,205,715)	(2,482,434)	(1,044,376)	(2,141,243)
<b>Other Financing Sources (Uses)</b>										
Transfers in	9,202,125	9,336,999	6,640,294	7,448,127	6,130,470	4,060,584	10,826,049	3,225,700	3,493,610	4,545,693
Transfers out	(11,448,126)	(10,893,858)	(8,148,010)	(10,360,452)	(8,429,858)	(6,277,790)	(12,375,641)	(4,623,242)	(5,112,694)	(6,169,817)
Debt issuance	-	1,630,000	14,658,705	-	-	-	-	-	-	-
Premium on general obligation bonds	-	-	237,204	-	-	-	-	-	-	-
Discount on general obligation bonds	-	-	(1,643)	-	-	-	-	-	-	-

**Schedule 4 - Continued**  
**City of Bowling Green**  
**Changes in Fund Balances, Governmental Funds**  
**Last 10 Fiscal Years**  
*(modified accrual basis of accounting)*

	<b>Fiscal Year</b>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Capital lease proceeds	-	1,708,594	212,000	3,253,128	-	3,580,000	855,000	375,000	-	-
General Obligation note proceeds	-	-	1,730,000	386,000	164,500	630,000	6,531,396	2,073,973	970,639	2,050,071
General Obligation bond proceeds	-	-	-	-	32,436,841	-	16,991,280	2,169,100	-	3,476,787
Proceeds of refunding bonds	-	-	-	-	5,542,079	-	-	-	-	-
Payments to refunding bonds escrow	-	-	-	-	(5,542,079)	-	-	-	-	-
Sale of capital assets	<u>1,146,475</u>	<u>199,236</u>	<u>213,637</u>	<u>110,366</u>	<u>-</u>	<u>134,250</u>	<u>135,451</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,099,526)</u>	<u>1,980,971</u>	<u>15,542,187</u>	<u>837,169</u>	<u>30,301,953</u>	<u>2,127,044</u>	<u>22,963,535</u>	<u>4,220,531</u>	<u>(648,445)</u>	<u>3,902,734</u>
Net Change in fund balances	<u>\$ 4,027,396</u>	<u>\$ 4,328,483</u>	<u>\$ 15,709,549</u>	<u>\$ (2,087,781)</u>	<u>\$ 469,640</u>	<u>\$ (7,894,195)</u>	<u>\$ 8,757,820</u>	<u>\$ 1,738,097</u>	<u>\$ (1,692,821)</u>	<u>\$ 1,761,491</u>
Debt service as a percentage of noncapital expenditures	13.06%	13.28%	12.75%	19.72%	6.15%	9.09%	21.50%	9.03%	9.12%	12.20%

**Schedule 5  
City of Bowling Green  
Wage Withholding Fees  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Total Gross Wages</b>	<b>Occupational Withholding Fees</b>	<b>Total Direct Tax Rate</b>
1997	\$ 956,800,000	\$ 14,352,000	1.50%
1998	887,405,400	13,311,081	1.50%
1999	941,237,333	14,118,560	1.50%
2000	992,675,867	14,890,138	1.50%
2001	1,010,869,933	15,163,049	1.50%
2002	1,074,751,800	16,121,277	1.50%
2003	1,105,090,333	16,576,355	1.50%
2004	1,128,756,300	22,575,126	2.00%
2005	1,271,473,750	25,429,475	2.00%
2006	1,369,273,450	27,385,469	2.00%

Source: City of Bowling Green, Department of Finance

Note: Prior to fiscal year 1997, all businesses paid the occupational withholding fees to the City on a quarterly basis. Due to a change in City code, large employers began paying employee withholdings to the City on a monthly basis.

**Schedule 6  
City of Bowling Green  
Direct Occupational License Tax Rates,  
Last Ten Fiscal Years**

	<b>City of Bowling</b>	
<u>Fiscal Year</u>	<u>Green Direct Rate</u>	<u>Total Direct</u>
1997	1.50%	1.50%
1998	1.50%	1.50%
1999	1.50%	1.50%
2000	1.50%	1.50%
2001	1.50%	1.50%
2002	1.50%	1.50%
2003	1.50%	1.50%
2004	2.00%	2.00%
2005	2.00%	2.00%
2006	2.00%	2.00%

Source: City of Bowling Green, Department of Finance

Note: (a) Occupational License Tax Rates include the Net Profit Fees and Wage Withholding fees.

(b) Beginning in Fiscal Year 2007, the Direct Occupational License Tax Rate will decrease by 0.15% to 1.85%

**Schedule 7  
 City of Bowling Green  
 Principal Occupational Withholdings Fees Payers  
 Current Year and Nine Years Ago**

<b>Taxpayer</b>	
<u>2006</u>	<u>1997</u>
Bowling Green Independent Schools	Commonwealth of Kentucky
Bowling Green Metalforming LLC.	Country Oven Bakery
Commonwealth of Kentucky	DESA International Inc.
DESA Heating LLC	Eagle Industries LLC & Subs
General Motors Corporation	Fruit of the Loom Inc.
HCA Payroll Agent Inc.	General Motors Corporation
The Medical Center	Greenview Hospital
Union Underwear Co. LLC (formerly Fruit of the Loom Inc.)	The Medical Center
Warren County Board of Education	Warren County Board of Education
Western Kentucky University	Western Kentucky University

Source: City of Bowling Green, Department of Finance

Note: Taxpayer information is listed alphabetically only.

**Schedule 8  
City of Bowling Green  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income (b)	Per Capita (b)
	General Obligation Bonds	Lease Revenue Bonds	Special Assessment Bonds (a)	Notes Payable and Capital Leases	General Obligation Bonds	Lease Revenue Bonds	Notes Payable and Capital Leases			
1997	\$ 580,000	\$12,623,684	\$ -	\$ 3,301,060	\$ -	\$3,593,850	\$ 129,242	\$ 20,227,836	1.13%	\$ 417
1998	440,000	12,076,184	-	3,241,717	-	3,405,251	99,386	19,262,538	1.01%	397
1999	2,465,000	11,414,384	-	4,527,454	3,198,399	60,616	244,949	21,910,802	1.09%	452
2000	19,480,000	10,713,984	-	5,124,620	2,971,640	41,016	478,450	38,809,710	1.85%	800
2001	14,577,000	9,989,284	-	8,256,987	7,290,376	20,716	454,450	40,588,813	1.79%	812
2002	52,762,000	4,050,000	-	7,286,937	7,043,394	-	367,541	71,509,872	3.18%	1,430
2003	52,317,000	3,660,000	-	6,847,891	14,736,250	-	987,263	78,548,404	3.34%	1,511
2004	66,537,320	3,240,000	160,241	7,542,796	15,969,295	-	405,894	93,855,546	3.77%	1,805
2005	65,738,223	2,805,000	153,331	9,630,041	14,408,408	-	318,668	93,053,671	3.52%	1,789
2006	64,175,565	2,350,000	148,250	8,129,023	13,427,668	-	233,686	88,464,192	3.25%	1,701

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(a) Warren County Water District bonds.

(b) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**Schedule 9**  
**City of Bowling Green**  
**Ratios of General Bonded Debt Outstanding**  
**Last 10 Fiscal Years**

	Fiscal Year									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General bonded debt outstanding										
General obligation bonds	\$ 64,175,565	\$ 65,738,223	\$ 66,537,320	\$ 52,317,000	\$ 52,762,000	\$ 14,577,000	\$ 19,480,000	\$ 2,465,000	\$ 440,000	\$ 580,000
Lease revenue bonds	2,350,000	2,805,000	3,240,000	3,660,000	4,050,000	9,989,284	10,713,984	11,414,384	12,076,184	12,623,684
Special Assessment bonds	<u>148,250</u>	<u>153,331</u>	<u>160,241</u>	<u>-</u>						
Total	66,673,815	68,696,554	69,937,561	55,977,000	56,812,000	24,566,284	30,193,984	13,879,384	12,516,184	13,203,684
Less: Amounts set aside to repay general debt	<u>(105,116)</u>	<u>(105,482)</u>	<u>(106,397)</u>	<u>(100,325)</u>	<u>(1,475,212)</u>	<u>(47,606)</u>	<u>(82,685)</u>	<u>(51,623)</u>	<u>(64,581)</u>	<u>(34,785)</u>
Net general bonded debt	<u>\$ 66,568,699</u>	<u>\$ 68,591,072</u>	<u>\$ 69,831,164</u>	<u>\$ 55,876,675</u>	<u>\$ 55,336,788</u>	<u>\$ 24,518,678</u>	<u>\$ 30,111,299</u>	<u>\$ 13,827,761</u>	<u>\$ 12,451,603</u>	<u>\$ 13,168,899</u>
Property Values	\$ 3,394,130,088	\$ 3,117,333,952	\$ 2,942,526,746	\$ 2,841,283,564	\$ 2,769,203,146	\$ 2,608,629,648	\$ 2,466,046,490	\$ 2,322,516,306	\$ 2,231,166,684	\$ 2,060,920,708
Percentage of estimated actual taxable value of property	1.96%	2.20%	2.37%	1.97%	2.00%	0.94%	1.22%	0.60%	0.56%	0.64%
Per capita (a)	1,280	1,319	1,343	1,075	1,107	490	621	285	257	272

Note: Details regarding the city's outstanding debt can be found in the notes to financial statements.

(a) Population data can be found in Schedule 13.

**Schedule 10**  
**City of Bowling Green**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt</u>
Bowling Green Independent Schools	\$ 18,630,000	100.00%	\$ 18,630,000
Warren County	72,976,000	58.70%	42,836,912
Warren County Schools	68,303,066	50.04%	34,178,854
Bowling Green Municipal Utilities	38,028,435	100.00%	<u>38,028,435</u>
Subtotal, overlapping debt			133,674,201
<b>City direct debt</b>			<u>94,151,122</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 227,825,323</u></u>

Notes: (1) Gross debt, less reserves.

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of Bowling Green.  
(Warren County ratio = City + Annex/All Districts; Warren County Schools = Annex/County + Annex)

Sources: Bowling Green Municipal Utilities  
Bowling Green Board of Education  
Warren County Treasurer  
Warren County Board of Education

Schedule 11  
City of Bowling Green  
Legal Debt Margin Information  
Last 10 Fiscal Years

<u>Legal Debt Margin Calculation for Fiscal Year 2006</u>	
Assessed value	\$3,394,130,088
Debt Limit (10% of assessed value) <sup>(a)</sup>	339,413,009
Debt applicable to limit:	
General Obligation bonds	80,101,483
Notes and Capital Leases payable	8,362,709
Less: Amount set aside for repayment of general obligation debt	(105,116)
Less: Non tax-supported debt	<u>(8,142,046)</u>
Total net debt applicable to limit	80,217,030
Legal debt margin	<u>\$ 259,195,979</u>

	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Debt Limit	\$339,413,009	\$ 311,733,395	\$321,124,611	\$306,400,447	\$303,272,181	\$285,902,804	\$ 269,972,326	\$ 254,913,274	\$240,649,797	\$ 226,348,710
Total net debt applicable to limit	<u>80,217,030</u>	<u>85,646,789</u>	<u>93,892,441</u>	<u>81,334,054</u>	<u>70,875,508</u>	<u>41,548,886</u>	<u>39,639,040</u>	<u>25,158,608</u>	<u>22,928,701</u>	<u>20,380,309</u>
Legal Debt Margin	<u>\$259,195,979</u>	<u>\$ 226,086,606</u>	<u>\$227,232,170</u>	<u>\$225,066,393</u>	<u>\$232,396,673</u>	<u>\$244,353,918</u>	<u>\$ 230,333,286</u>	<u>\$ 229,754,666</u>	<u>\$217,721,096</u>	<u>\$ 205,968,401</u>
Total net debt applicable to limit as a percentage of debt limit	23.63%	27.47%	29.24%	26.55%	23.37%	14.53%	14.68%	9.87%	9.53%	9.00%

Note: (a) Under Section 158 of the Consitution of Commonwealth of Kentucky, the city's outstanding debt is not to exceed 10 percent of total assessed property value.

**Schedule 12  
City of Bowling Green  
Pledged-Revenue Coverage  
Last Ten Fiscal Years**

Fiscal Year	Stonehenge Sections I-V (a)				Cedar Grove Section IX (a)			
	Special Assessment	Debt Service			Special Assessment	Debt Service		
	Collections	Principal	Interest	Coverage	Collections	Principal	Interest	Coverage
1997	\$ -	\$ -	\$ -	-	\$ 19,005	\$ 5,000	\$ 21,938	0.71
1998	20,796	5,000	20,963	0.80	28,600	5,000	21,600	1.08
1999	26,013	5,000	19,013	1.08	28,263	5,000	21,263	1.08
2000	42,969	6,000	35,000	1.05	27,625	5,000	20,925	1.07
2001	65,774	10,000	50,805	1.08	27,588	5,000	20,588	1.08
2002	93,659	15,000	73,691	1.06	27,250	5,000	20,250	1.08
2003	93,540	16,000	72,571	1.06	26,913	5,000	19,913	1.08
2004	92,565	16,000	71,596	1.06	26,575	5,000	19,575	1.08
2005	115,120	24,000	86,151	1.05	26,238	5,000	19,238	1.08
2006	114,776	25,000	84,808	1.05	25,900	5,000	18,900	1.08

Notes: (a) The Stonehenge Sections I-V and Cedar Grove Section IX Special Assessment revenues are collected from property owners in each district to fund the development of the subdivisions and to provide amenities such as sidewalks and etc.

**Schedule 13**  
**City of Bowling Green**  
**Demographic and Economic Statistics**  
**Last Ten Calander Years**

<u>Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Median Age (d)</u>	<u>School Enrollment (e)</u>	<u>Percentage of Workforce Unemployed (f)</u>
1997	48,500	\$ 1,782,684,000	\$ 20,241	29	16,884	5.0%
1998	48,500	1,908,684,000	21,303	29	16,791	4.1%
1999	48,500	2,004,328,000	22,062	29	17,122	3.1%
2000	48,500	2,100,645,000	22,945	29	16,933	2.9%
2001	50,000	2,270,047,000	24,463	29	17,410	3.8%
2002	50,000	2,252,222,000	24,133	29	20,257	4.5%
2003	52,000	2,350,211,000	24,957	29	15,514	4.5%
2004	52,000	2,489,642,000	26,056	29	15,944	4.3%
2005	52,000	2,644,620,000	27,218	29	15,469	5.5%
2006	52,000	2,723,959,000	28,035	29	15,791	5.2%

Sources: (a) Estimated population statistics obtained from the Kentucky Cabinet for Economic Development ([www.thinkkentucky.com](http://www.thinkkentucky.com))

(b) Personal Income Numbers were obtained from [www.workforcekentucky.ky.gov](http://www.workforcekentucky.ky.gov)

(c) Income Per Capita obtained from [www.workforcekentucky.ky.gov](http://www.workforcekentucky.ky.gov)

(d) U.S. Department of the Census (2000 Census)

(e) Bowling Green Board of Education, Warren County Board of Education, and all private schools. Western Kentucky University is not included.

(f) U.S. Department of Labor, Bureau of Labor Statistics

Note: (1) 2006 Personal Income and Per Capita Income numbers were based on a 3% cost of living increase

(2) Personal Income, Per Capita Income, and Unemployment numbers are for the full calander year before fiscal year end

**Schedule 14  
City of Bowling Green  
Principal Employers  
Current Year and Nine Years Ago**

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Western Kentucky University	2,975	1	5.81%	2,103	1	4.46%
Medical Center at Bowling Green	1,733	2	3.39%	1,485	3	3.15%
General Motors Corporation	1,139	3	2.22%	1,035	5	2.19%
Wal-Mart Assoc., Inc.	1,068	4	2.09%	---	---	---
Fruit of the Loom, Inc.	985	5	1.92%	1,619	2	3.43%
Warren County Board of Education	894	6	1.75%	1,066	4	2.26%
Huish Detergents	779	7	1.52%	---	---	---
City of Bowling Green	636	8	1.24%	505	10	1.07%
Eagle Industries	632	9	1.23%	---	---	---
Houchens Industries	620	10	1.21%	---	---	---
The Kroger Company	---	---	---	951	6	2.01%
Greenview Hospital	---	---	---	644	7	1.36%
Holley Automotive	---	---	---	613	8	1.30%
Bowling Green Independent Schools	---	---	---	554	9	1.17%
<b>Total</b>	<b>11,461</b>		<b>22.39%</b>	<b>10,575</b>		<b>22.40%</b>

Source: City of Bowling Green, Department of Finance

**Schedule 15**  
**City of Bowling Green**  
**Full-time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>General government</b>	44	46	46	41	43	42	39	38	36	35
Administration	4	4	4	4	4	4	11	11	5	4
Citizen's Assistance	9	9	9	7	9	9	-	-	6	6
Finance	17	19	20	20	20	20	23	22	18	18
Human Resources	6	6	6	5	5	5	5	5	3	3
Legal	2	2	2	-	-	-	-	-	-	-
Information Technology	6	6	5	5	5	4	-	-	4	4
<b>Public Safety</b>	257	247	239	234	224	220	213	217	211	207
Police										
Officier	103	97	95	90	90	88	85	87	86	87
Civilians	35	34	31	34	33	31	27	29	28	27
Fire										
Firefighters and officers	115	112	109	106	97	97	97	97	94	90
Civilians	4	4	4	4	4	4	4	4	3	3
<b>Public Works</b>	60	57	58	53	49	59	53	47	48	42
<b>Parks and Recreation</b>	60	60	58	57	57	60	56	52	53	49
<b>Community Development</b>	24	22	23	21	20	20	19	18	16	17
<b>Total</b>	445	432	424	406	393	401	380	372	364	350

Schedule 16  
City of Bowling Green  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Citizen's Information</b>										
Anti-Litter presentations/events	23	10 <sup>(a)</sup>	-	-	-	-	-	-	-	-
Neighborhood Meetings conducted	91	70	65	65	47	60	51	25 <sup>(b)</sup>	-	-
<b>Finance</b>										
Tax bills sent	20,330	19,714	19,555	19,453	19,465	18,921	18,530	18,178	17,618	17,250
Business registrations received	1,134	1,351	1,193	1,141	1,083	1,204	1,308	1,413	1,544	1,172
<b>Human Resources</b>										
Job applicants	1,386	942	611	1,631	873	942	640	772	950	925
Position filled	185	132	122	111	116	130	145	137	173	137
<b>Police</b>										
911 Service calls	55,730	53,226	50,789	49,138	46,510 <sup>(c)</sup>	29,776	26,010	25,622	29,861	28,600
Animal control calls	4,900	4,867 <sup>(d)</sup>	524	501	451	198	-	-	-	-
Traffic stops	3,237	3,367	3,281	3,568	3,575	3,607	3,216	3,287	3,389	3,317
<b>Fire*</b>										
Fire runs	2,292	2,741	3,161	4,231	4,223	4,032	3,653	4,559	-	-
Accident runs	405	578	648	497	404	607	727	803	-	-
Inspections	134	2,183	1,136	1,219	811	1,627	906	1,105	-	-
<b>Public Works**</b>										
Street resurfacing (miles)	17	14	14	11	8	9	12	11	14	-
Potholes repaired	349	625	567	755	521	748	198	147	368	-
<b>Parks and Recreation</b>										
Fitness & Athletic participants	821,759	729,967	705,271	636,122	620,339	573,774	554,756	559,859	520,791	486,478
Visits to Community Center	110,929	109,599	120,000	126,998 <sup>(e)</sup>	192,383	174,669	205,631	197,280	191,967	168,744
<b>Community Development</b>										
Households receiving asst	663	616	628	602	600	569	540	541	500	491
Bldg/Electrical & Code inspections***	16,001	13,935	9,032	7,561	7,670	5,933	-	-	-	-

- Notes: (a) The Anti-Litter program was established in 2005.  
(b) The Neighborhood Meeting program was started in 1999.  
(c) Beginning in 2002, Public Safety answering point for both landline and cell phone 911 calls in Warren County.  
(d) Animal Control Program was developed in 2005, calls had previously been forwarded to the Sheriff's Department.  
(e) Community Action volume is no longer tracked at the Bowling Green Community Center.

\* Fire Department records dating back to fiscal years 1997 and 1998 are incomplete.  
\*\* The Public Works department was unable to recover records for fiscal year 1997.  
\*\*\* Records of Building, Electrical and Code inspections are unrecoverable prior to 2001.

**Schedule 17**  
**City of Bowling Green**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Police										
Police Stations	1	1	3	3	3	7	7	7	3	1
Substations	2	2	-	-	-	-	-	-	-	-
Fire										
Fire stations	5	5	5	5	5	5	5	5	4	4
Training centers	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	235	230	221	408	307	221	297	217	223	223
Sidewalks (miles)	106	106	207	207	207	64	64	64	77	77
Alleys (miles)	4	4	3	8	8	3	3	17	31	31
Streetlights	8,307	8,228	8,103	7,375	7,165	7,680	7,434	5,625	5,625	5,625
Parks and recreation										
Number of Parks	25	24	24	24	24	23	23	21	21	19
Acreage	944	886	886	886	881	881	881	809	809	809
Playgrounds	19	17	17	17	17	17	17	15	13	10
Baseball/Softball diamonds	11	11	11	11	11	11	11	11	11	11
Soccer fields	13	13	13	13	13	13	13	13	13	13
Community Centers	2	2	2	2	2	2	2	2	2	2
Community Development										
Building Permits Issued	2,787	2,765	2,488	2,331	2,061	2,252	1,056	1,054	916	843