

City of Bowling Green

**Comprehensive Annual Financial
Report**

for the

Fiscal Year Ended June 30, 2012



**Issued by the
Department of Finance**

CITY OF BOWLING GREEN

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JEFFERY B. MEISEL, CPA
Chief Financial Officer
jeff.meisel@bgky.org

WILMA B. BROWN
Comptroller
wilma.brown@bgky.org

DAVID L. LYNE
Occupational License Manager
david.lyne@bgky.org

DEPARTMENT OF FINANCE
Web Site: www.bgky.org

Phone: 270-393-3000

Fax: 270-393-3047

November 7, 2012

Honorable Mayor Bruce Wilkerson
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, 2012. 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 the component units.

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 fairly presents 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 Chilton Medley, 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, 2012 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, 2012 are fairly presented in conformity with GAAP. Their report is the first component in the Financial Section of this report.

Additionally, Mountjoy Chilton Medley, LLC 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 38.5 square miles, has a population estimated at 59,000 and serves as the retail, educational, medical, commercial, and social hub for south-central Kentucky and northern Tennessee. The labor market area, which measures employable workers that are 18 years and older, is measured at approximately 456,000 for the area encompassing a sixty minute drive from the City with an additional 25,500 workers being of age in the next two years.

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, 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 day-to-day operations. As of June 30, 2012, the City had 440 authorized full-time positions, with 61% of the employees 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 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 the 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. 39, “*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 is included as a discretely presented component unit 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 five such budget amendments.

FACTORS AFFECTING FINANCIAL CONDITION

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.

Local Economy

The local economy is made up of a well-balanced blend of service, manufacturing, retail and other industries which support the City's main revenue source, the Employee Withholdings tax. Bowling Green is also the home of Western Kentucky University which is not only the City's largest employer, but a catalyst for the local economy. Other major employers include the General Motors Corvette Assembly plant and two regional hospitals. In addition, countless local businesses have been started in Bowling Green and have continued to prosper. The entrepreneurial spirit continues to be alive and well.

Aggressive cooperative strategies are in place between the local governments, the Chamber of Commerce and the Economic Development Authority that continue to attract business and jobs to the community. The City consistently scores high in national rankings of preferred business location and favorable environments for the creation and development of businesses due to its rich economic, social and cultural environments. Sperling's Best Places, an online site dedicated to the analysis of people and places, reported Bowling Green's population growth as +21.5% since 2000 and ranked the City 13th in emerging metropolitan areas. The 2012 census bureau data cited Bowling Green as having 7.1% lower cost of living compared to the US average; including 21% less for housing, 7% less for food, and 4% less for healthcare. Forbes ranked Bowling Green 27th of 200 for "Best Small Places for Business and Careers", 63rd for projected job growth through 2013, and 31st for cost of doing business.

Bowling Green began to show signs of economic recovery during the second half of 2011, which continued through FY2012 as revenues finished strong compared to previous years. No significant layoffs occurred in the City and wages grew at a faster pace than the previous fiscal year. The payroll tax base

showed a gain of approximately \$112.4 million, which resulted in an increase in the employee withholding fees of \$2,080,000 (+7.2%) over FY2011, bringing total receipts to \$30.9 million. Employee withholding collections have increased 3.6% on average for the past three years, which is an improvement from back to back years of decline in 2008 and 2009. Building permit revenues increased \$140,000 (+24.5%) over last year for a total collection of \$712,000. New business licenses issued during the fiscal year totaled 801.

Bowling Green's unemployment rate decreased during FY2012, reflecting an ongoing recovery in the local economy, and ended the year below the state and national rate. The City of Bowling Green began the fiscal year in July 2011 with an unemployment rate of 8.7%, versus 9.7% for the state and 9.1% nationally. In June 2012, the City's unemployment rate was 7.4%, versus 8.4% for the state and 8.2% for the nation. Bowling Green's unemployment rate during FY2012 averaged 7.9%.

Management is optimistic that the future of the local economy is bright and the economic recovery that began in late 2011 will be sustainable by the continuing efforts to attract jobs to the area. The City plans to continue its commitment of offering incentives to new businesses locating in the area and to incentivize the expansions of existing businesses to help grow the existing job base. Furthermore, the university will continue to be a stabilizing force for the local economy along with the continued diversification of industries forming the local tax base.

Long-term Financial Planning

The City's budget team, which is composed of the City Manager, Assistant City Manager, Human Resources Director, Comptroller, Senior Staff Accountant, and Chief Financial Officer, is primarily responsible for the long-term financial planning for the City. Long-term fiscal sustainability is the top focus of the budget team. The Chief Financial Officer prepares the revenue forecast for the budget each year and budgeted expenditures are matched to revenue projections. Great emphasis is placed on current year operating revenues equaling or exceeding current year operating expenditures. Conservatism is used when preparing the annual revenue projection in order to avert budget shortfalls and to help encourage fiscal responsibility on the expenditure side. The use of fund balance is reserved for one-time capital expenditures. The City continues to make progress in reducing and eliminating debt and takes advantage of available debt refinancing opportunities.

Relevant Financial Policies

The City adopted a Financial Policies and Procedures Manual addressing various areas of operations such as revenue collection, banking services, investments, debt management, budget management, and fund balance reserves. The Fund Balance policy is included in the manual and sets the General Fund minimum reserve balance at 20% of adopted revenues. Before FY2012, the minimum reserve balance was targeted at 15%, but great emphasis is now placed on maintaining the 20% reserve policy in the General Fund, as well as additional unassigned fund balance. Segregation of duties and internal controls are a common theme to achieve sound financial operations in the sections covering accounting, accounts payable, revenue collections, payroll, cash management, investments, fixed assets, and procurement card uses.

Major 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.

Recent historic flooding in Bowling Green demonstrated the continued need to direct resources to the City's stormwater efforts. The FY2012 budget increased the commitment to the stormwater improvement effort, which will be a significant undertaking that will take a number of years to fully implement. The Public Works Department has identified at least sixty potential drainage improvement projects of varying size and scope throughout the City. The FY2012 budget totaled \$500,000. Projects range from deepening an existing basin, to constructing a new retention basin from scratch, to any number of smaller projects. Costs depend greatly upon the conditions, such as rock, level of protection desired (75-year storm, 100-year storm), and market conditions for bids. The City is committed to expanding stormwater mitigation efforts as revenues increase in the future.

The City completed the sixth year of participation in the sidewalk program in FY2012. The sidewalk program is designed to construct over 5,000 linear feet of new sidewalks and improve existing sidewalks. The program is funded with available reserves on a year-to-year basis with no debt being issued. Funds totaling \$400,000 were available during FY2012 for this program and an additional \$400,000 will be contributed to the program in FY2013. The City has also received funds to construct greenways or shared use paths. The paths are designed to connect and eventually circle the City. During FY2012, the construction of two greenway paths was completed.

The Parks and Recreation department began several projects during FY2012. The Parker-Bennett Community Center received CDBG funding of \$135,900 for center improvements, an additional playground, a picnic shelter, and a renovated playing court including lighting and fencing. Pedigo Park also received CDBG funding totaling \$90,000 to replace field lights and complete park improvements. The Lovers Lane Soccer Complex was allotted \$240,000 in General Fund budgeted funds to construct a building to house restrooms as well as storage and office areas. The Fitness Center budget included \$165,000 for replacement of 52 pieces of selectorized and cardio-vascular fitness equipment. The City Golf courses purchased new equipment and underwent improvements during FY2012, including replacement of golf carts, cart path improvements, replacement of the greens at Paul Walker and irrigation improvements at CrossWinds.

The Smallhouse/Cave Mill Road Realignment road construction project began in FY2012. One long-range transportation improvement goal has been to realign the Smallhouse/Cave Mill Road intersection. A preliminary design was completed in FY2009 and \$500,000 was budgeted in FY2012 to provide final design, utility realignment, and property acquisition. Construction will be funded by the City and Warren County and should be completed by the close of FY2013.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bowling for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The GFOA has also given an Award for Outstanding Achievement in Financial Reporting to the City of Bowling Green for its Popular Annual Financial Report for the fiscal year ended June 30, 2011. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national

award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

A Certificate of Achievement for Excellence in Financial Reporting and an Award for Outstanding Achievement in Popular Financial Reporting are valid for a period of one year only. We believe our current reports continue to conform to the reporting requirements, and we are submitting to the GFOA.

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; Erin Ballou, Senior Staff Accountant; Sean Weeks, Staff Accountant; and to the staff of Mountjoy Chilton Medley, LLP, CPA's.

Respectfully submitted,

Jeff Meisel, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Bowling Green
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



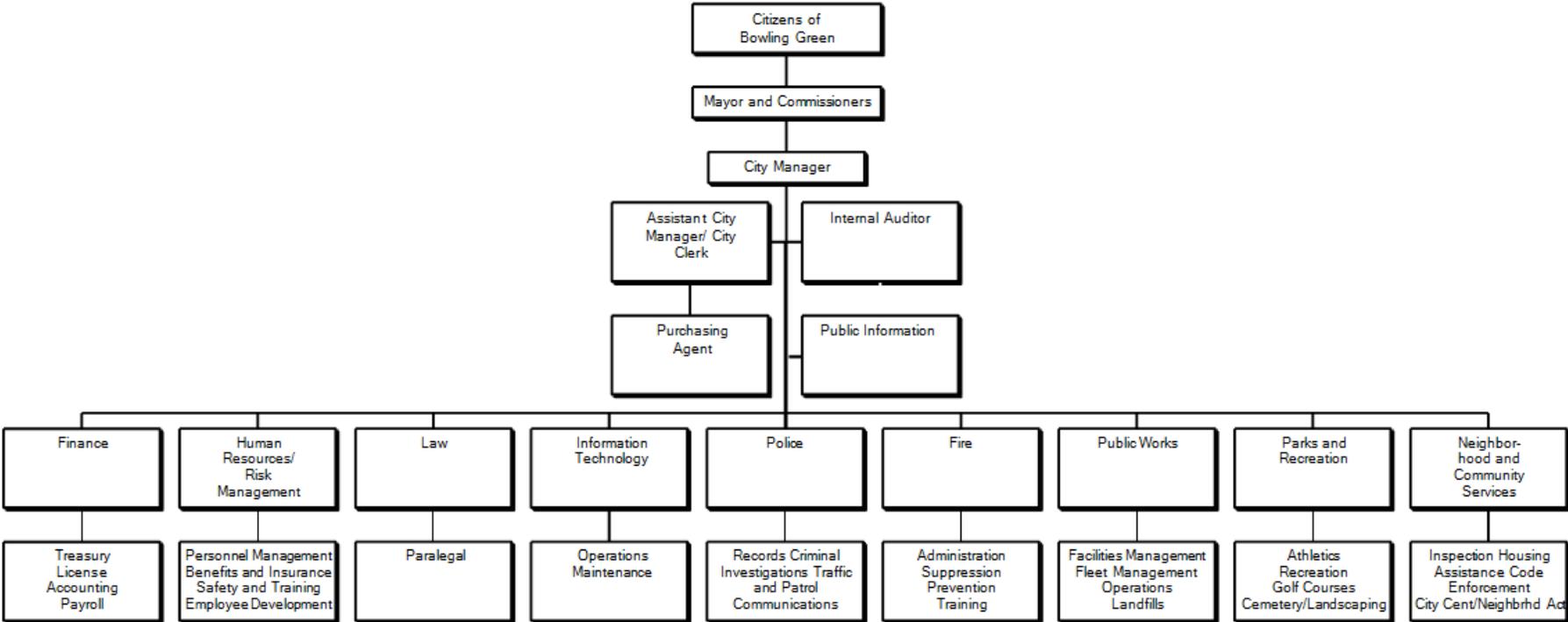
Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

CITY OF BOWLING GREEN



CITY OF BOWLING GREEN, KENTUCKY
Directory – Principal Officials

Mayor and Commissioners

Bruce Wilkerson
Bill Waltrip
Joe Denning
Brian (Slim) Nash
Melinda Hill

Mayor
Mayor Pro Tem
Commissioner
Commissioner
Commissioner

Kevin D. DeFebbo – City Manager

Administration:

Katie Schaller

**Assistant City Manager/
City Clerk**
Purchasing Agent
Internal Auditor

Jennifer Portmann
Deborah Jenkins

Finance:

Jeff Meisel, CPA
Wilma Brown

Chief Financial Officer
Comptroller

Human Resources:

Michael Grubbs

Director

Law:

H. Eugene Harmon

City Attorney

Information Technology:

Lynn Hartley

Chief Information Officer

Public Safety:

Doug Hawkins
Greg Johnson

Police Chief
Fire Chief

Public Works:

Jeff Lashlee

Director

Parks and Recreation:

Ernie Gouvas

Director

Neighborhood and Community Services:

Brent Childers

Director



Honorable Bruce Wilkerson, Mayor
and the Board of Commissioners
City of Bowling Green
Bowling Green, Kentucky

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, 2012, 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 \$7,071,736 and total additions of \$775,513 for the year ended June 30, 2012. We did not audit the financial statements of Bowling Green Municipal Utilities which represents all of the assets and the revenues as of and for the year ended June 30, 2012 of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Policemen and Firemen's Retirement Fund and Bowling Green Municipal Utilities is based solely on the reports 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2012, 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.

Louisville

2000 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202

Lexington

175 East Main Street
Suite 200
Lexington, KY 40507

Frankfort

150 Flynn Avenue, Suite 100
P.O. Box 5630
Frankfort, KY 40602

Cincinnati

1440 PNC Center
201 East Fifth Street
Cincinnati, OH 45202

888.587.1719 | www.mcmcpa.com

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In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2012 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 12 through 23 and 68 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 101, and the statistical section on pages 102 through 121 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 or provide any assurance on them.

A handwritten signature in cursive script that reads "Mountjoy Chilton Medley LLP".

Lexington, Kentucky
November 13, 2012

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, 2012. 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 liabilities at the close of the fiscal year by \$171.0 million (net assets). This amount includes \$8.3 million of resources that are restricted to specific projects by laws, regulations or contractual agreements. A total of \$20.6 million of resources are unrestricted and are available to fund the City's outstanding obligations and future programs.
- The City's total net assets increased \$15.4 million this year. Net assets of governmental activities increased \$14.6 million and net assets of business-type activities increased by \$0.8 million.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$50.0 million, an increase of \$0.7 million from the prior year. Of this amount, \$4.3 million in the General Fund was unassigned and available for spending. The City's General Fund minimum reserve policy is 20% of the adopted revenue budget, or \$10.1 million for FY2012, and is reflected in the committed fund balance.
- The City's governmental activities total debt decreased by \$6.4 million due to the payment of principal on outstanding debt. Business-type activity debt decreased by \$0.7 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 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 or depreciated.

Government-Wide Financial Statements

Government-wide financial statements include the Statement of Net Assets and the Statement of Activities. The 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, 2012. 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 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 activities.
- Business-type activities - Activities primarily paid for from the charges and fees to cover the cost of services are reported here. This includes golf programs, the aquatics program and the operations of the Sloan Convention Center.
- Component units - The City includes one separate legal entity as component units: Bowling Green Municipal Utilities. Although legally separate, component units are important because the City is financially accountable.

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. The statements provide a short-term view of general government operations and show how services are financed as well as the balances left at year end that are available for future spending. 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 Athletics Fund, Debt Service Fund, and ITA Bond Fund to be major governmental funds.

- Proprietary funds - When the City charges fees for services that are intended to cover the majority of the cost of providing the services - whether to outside customers or to other units of the City - the services are generally reported in proprietary funds. The subcategories of the funds include enterprise funds, which are business-type activities, and internal service funds that 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 major proprietary funds.

The City as Trustee

The City is trustee, or fiduciary, for the closed Policeman and Fireman's Retirement Fund. The City 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. The activities are excluded from the other government-wide and fund statements because the City cannot use these assets to finance operations.

Government-wide Financial Analysis

Net Assets

The following table summarizes the City's financial position as of June 30, 2012. The City as a whole had assets greater than liabilities by \$171.0 million, an increase of \$15.4 million over last year. This is due to an increase in cash as a result of growth in revenue collections, additions in capital asset infrastructure, as well as debt reduction through scheduled principal payments. Of the \$171.0 million, \$142.1 million or 83.1% was invested in capital assets and \$20.6 million or 12.0% was unrestricted. Net assets of governmental activity funds total \$158.5 million, with \$135.4 million or 85.4% invested in capital assets and \$14.8 million or 9.3% 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.

Net Assets
June 30, 2012
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$105.7	\$105.3	\$6.1	\$5.3	\$111.8	\$110.6
Capital assets	<u>180.2</u>	<u>172.4</u>	<u>14.4</u>	<u>15.1</u>	<u>194.6</u>	<u>187.5</u>
Total assets	<u>285.9</u>	<u>277.7</u>	<u>20.5</u>	<u>20.4</u>	<u>306.4</u>	<u>298.1</u>
Long-term liabilities	115.3	122.5	6.7	7.6	122.0	130.1
Other liabilities	<u>12.1</u>	<u>11.3</u>	<u>1.3</u>	<u>1.1</u>	<u>13.4</u>	<u>12.4</u>
Total liabilities	<u>127.4</u>	<u>133.8</u>	<u>8.0</u>	<u>8.7</u>	<u>135.4</u>	<u>142.5</u>
Net assets:						
Invested in capital assets, net of related debt	135.4	124.4	6.7	6.6	142.1	131.0
Restricted for:						
Capital Projects	6.1	5.4	0.0	0.0	6.1	5.4
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Community Development	1.4	1.4	0.0	0.0	1.4	1.4
Perpetual Care	0.8	0.8	0.0	0.0	0.8	0.8
Unrestricted	<u>14.8</u>	<u>11.9</u>	<u>5.9</u>	<u>5.1</u>	<u>20.6</u>	<u>17.0</u>
Total net assets	<u>\$158.5</u>	<u>\$143.9</u>	<u>\$12.6</u>	<u>\$11.7</u>	<u>\$171.0</u>	<u>\$155.6</u>

*Numbers may not total due to rounding.

The net assets of the City's business-type activities total \$12.6 million. Of the net assets total, \$6.7 million (53%) was invested in capital assets with unrestricted net assets totaling \$5.9 million (47%).

Analysis of City Operations

The following table summarizes City operations for the fiscal year ended June 30, 2012. Governmental activities increased the City of Bowling Green's net assets by \$14.6 million, accounting for 95% of the increase in the net assets. As mentioned earlier, this is due to an increase in assets, particularly cash, as a result of improved revenue collections, as well as capital assets contributed through the acceptance of privately developed infrastructure. Business-type activities increased the City's net assets by \$0.8 million, which was 5% of the total increase in net assets. Likewise, the increase in net assets is mainly related to growth in assets due to improved revenue collections from charges for services.

Statement of Activities
For the Year Ended June 30, 2011
(In millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues:						
Charges for services	\$4.4	\$4.0	\$2.3	\$2.1	\$6.7	\$6.1
Operating grants and contributions	7.3	8.4	0.0	0.0	7.3	8.4
Capital grants and contributions	13.5	9.9	0.0	0.0	13.5	9.9
General revenue:						
Property taxes	11.4	11.2	0.0	0.0	11.4	11.2
Insurance premium taxes	3.2	3.1	0.0	0.0	3.2	3.1
Transient room taxes	0.0	0.0	0.4	0.4	0.4	0.4
Wages and net profits taxes	39.5	37.2	0.0	0.0	39.5	37.2
Other general revenues	<u>1.1</u>	<u>(0.6)</u>	<u>0.2</u>	<u>0.1</u>	<u>1.3</u>	<u>(0.5)</u>
Total revenues	<u>80.3</u>	<u>73.2</u>	<u>2.9</u>	<u>2.6</u>	<u>83.2</u>	<u>75.8</u>
Program expenses						
General government	15.3	15.2	0.0	0.0	15.3	15.2
Public safety	22.3	21.8	0.0	0.0	22.3	21.8
Public works	7.6	6.7	0.0	0.0	7.6	6.7
Parks and recreation	5.0	5.5	0.0	0.0	5.0	5.5
Neighborhood & community services	5.2	4.9	0.0	0.0	5.2	4.9
Community services	1.3	1.2	0.0	0.0	1.3	1.2
Interest on long-term debt	6.5	5.7	0.0	0.0	6.5	5.7
Golf	0.0	0.0	2.8	2.3	2.8	2.3
Aquatics	0.0	0.0	0.9	0.9	0.9	0.9
Convention Center	<u>0.0</u>	<u>0.0</u>	<u>0.9</u>	<u>0.6</u>	<u>0.9</u>	<u>0.6</u>
Total expenses	<u>63.2</u>	<u>61.0</u>	<u>4.6</u>	<u>3.8</u>	<u>67.8</u>	<u>64.8</u>
Increase/decrease in net assets before transfers	17.1	12.2	(1.7)	(1.3)	15.4	10.9
Transfers	<u>(2.5)</u>	<u>(2.5)</u>	<u>2.5</u>	<u>2.5</u>	<u>0.0</u>	<u>0.0</u>
Change in net assets	14.6	9.7	0.8	1.2	15.4	10.9
Net assets, beginning of year,	<u>143.9</u>	<u>134.2</u>	<u>11.7</u>	<u>10.5</u>	<u>155.6</u>	<u>144.7</u>
Net assets end of year	<u>\$158.5</u>	<u>\$143.9</u>	<u>\$12.6</u>	<u>\$11.7</u>	<u>\$171.0</u>	<u>\$155.6</u>

*Numbers may not total due to rounding

Total revenues for the City's governmental activities total \$80.3 million at June 30, 2012, compared to \$73.2 million last year. The increase in revenue is primarily due to the improved wage withholding tax base that occurred as a result of the continuing recovery in the local economy as well as contributed capital infrastructure from private development. Wage and net profits taxes total \$39.5 million or 49.2% of revenue and include other related occupational license fees. The second largest category of governmental revenues, operating and capital grants and contributions, accounts for \$20.8 million, or 25.9% of total revenue. Property taxes total \$11.4 million and account for 14.2% of total revenues.

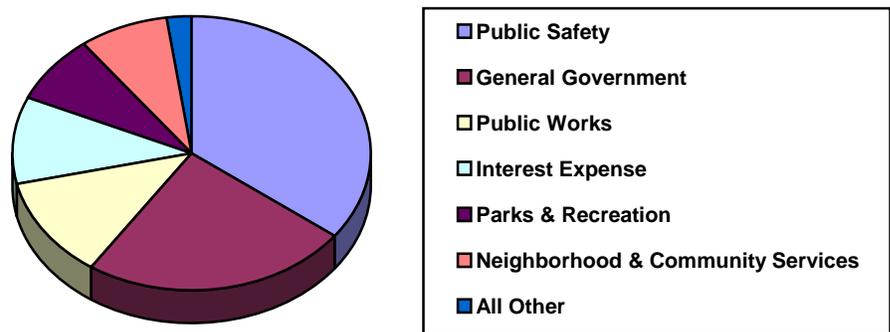
Charges for services total \$4.4 million or 5.5% of the total collections. Insurance premium taxes account for \$3.2 million or 4.0%.

Governmental Funds Revenue Sources



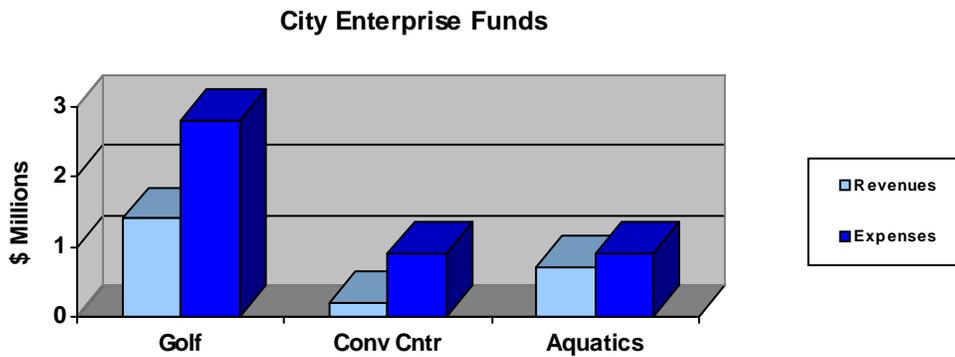
Current year total expenses of the City’s governmental activities total \$63.2 million, compared to \$61.0 million last year. The increased expenditures are a result of spending for the public safety and public works departments as well increased interest expenses. Public Safety expenses total \$22.3 million and account for 35.3% of total expenses. The second largest category of expenses, General Government, totals \$15.3 million and account for 24.1% of expenses. Public Works totals \$7.6 million or 12.0%. Interest expense totaled \$6.5 million or 10.3%. Neighborhood and Community Services total \$5.2 million or 8.2% of expenses. The last major expenditure category, Parks and Recreation, totals \$5.0 million or 7.9% of expenses.

Governmental Funds Expenditure Categories



Business-type Activities

Revenues for business-type activities total \$2.9 million this fiscal year compared to \$2.6 million last year. The increase is the result of favorable weather during the summer that improved participation at City golf courses and the aquatics center. Of this, \$2.3 million, 79.3% was from charges for services. Expenses for business-type activities total \$4.6 million. The largest program in the business type-activity was the operation of three municipal golf courses, which accounts for 60.8% of business-type expenses. The Russell Sims Aquatic Center accounts for 19.6% of business-type expenses and the operation of the Sloan Convention Center accounts for the remaining 19.6% of expenses in business-type activities.



Funds of the City of Bowling Green

The City's governmental funds for the year ended June 30, 2012 reflected a combined ending total fund balance of \$50.0 million, an increase of \$0.7 million from the prior year. The increase in fund balance is mainly a result of cash savings from under-spending set aside for future capital projects. Of the \$50.0 million total fund balance, \$4.3 million was unassigned in the General Fund and available for spending at the City's discretion. The remaining balance is comprised of non-spendable, assigned, committed, or restricted amounts; indicating that the funds were not available for spending, or whose spending was otherwise restricted by state statute or by City ordinance, or had been dedicated to pay outstanding contracts or purchase orders, or to make future debt service payments, or intended to be used for specific purposes, respectfully.

At the end of the fiscal year, the total fund balance in the General Fund was \$18.5 million, which represents an increase of \$0.8 million over the prior year. The increase in fund balance is a result of under-spending, personnel attrition and an increase in occupational tax withholding revenue. Of the \$18.5 million total fund balance; unassigned fund balance was \$4.3 million and reflected 8.2% of General Fund revenues, representing residual net resources that have not been restricted, committed or assigned to specific purposes. Committed fund balance contains the minimum reserve of 20% of budgeted revenues, or \$10.1 million. Assigned fund balance totaled \$3.9 million or 7.5% of General Fund revenues; non-spendable fund balance was \$110,000 and restricted totaled \$0. The fund balances for these categories are represented by prepaid expenses, spending restricted to specific purposes, and funds reserved to pay contracts and purchase orders outstanding as of June 30, 2012.

The WKU Athletics Fund is used to account for the revenues and expenditures associated with the City's \$29,580,000 General Obligation and Special Revenue Refunding Bonds, Series 2010 and Series 2011 as

well as \$2,045,000 of the City's General Obligation and Special Revenue Refunding Bonds, Series 2002B and 2002C. The refunding bond proceeds were utilized to refinance \$27,595,000 of the Series 2002B and 2002C. The original bond issuance was utilized to improve athletic and parking facilities belonging to Western Kentucky University in order to increase public use. Western Kentucky University pays the City for the total debt service on these bonds each year through student athletic fees. This payment structure results in an offsetting payable and receivable with no fund balance.

The final major governmental fund, the Inter-Modal Transportation Authority, Inc. (ITA) Bond Special Revenue Fund, is used to account for the revenues and expenditures related to the refinancing of the ITA mortgage-backed bond issues which were the original issues that funded the acquisition and construction of the Kentucky Transpark. Total fund balance in the ITA Bond Fund is \$13.7 million as of June 30, 2012, compared to \$14.3 million in the prior fiscal year. Of the \$13.7 million total fund balance, \$12.2 million is restricted and \$1.5 million is assigned. The slight decrease in fund balance is due to the payment of debt service obligations with escrowed funds held in 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 the proprietary funds equal \$12.6 million as of June 30, 2012, compared to \$11.7 million last year.

The Golf Fund had total net assets of \$3.5 million, compared to \$3.8 million in FY2011, a slight decrease of \$0.3 million. The decline in net assets is primarily a result of the replacement of the golf cart fleet with new carts under the capital asset threshold. Of the total net assets, \$3.2 million was invested in capital assets, net of related debt. Unrestricted net assets were \$0.3 million.

The Aquatics Fund ended the year with total net assets of \$1.2 million, representing an increase of \$0.2 million over last year. The increase over last fiscal year can be attributed to an increase in revenues due to favorable weather. Of the total net assets, unrestricted net assets were \$1.2 million.

The Convention Center Fund had total net assets of \$7.9 million, representing an increase of \$1.0 million over last year. The increase in Convention Center fund net assets is related to the increase in cash due to greater interest receipts throughout the year and reduced capital asset spending. Of the total net assets, \$3.5 million was invested in capital assets, net of related debt, and \$4.3 million was unrestricted.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Commission approved revisions of the General Fund's budget five times in order to make adjustments for additional revenues collected and to add projects that were not anticipated when the budget was initially adopted. In all, the revenue budget was increased by \$199,000 or +0.4%. The changes are briefly summarized below.

Original revenue estimates were changed by the following:

Grants	\$ 104,000
Employee Withholdings	25,000
Contributions & Donations	68,000
Judgments and Settlements	2,000

The comparison of actual revenue to the final amended revenue budget results in significant budgetary variances for employee withholdings (+\$1.5 million), permits (+\$0.2 million), and franchise fees (-\$0.1 million). A conservative approach was used when estimating the FY2012 employee withholdings and growth of +1.8% was utilized in the budget. During FY2012, an increase of +5.2% in employee withholdings collections was realized and the FY2013 projections were updated accordingly. Revenue growth in permits continued in FY2012 and resulted in \$200,000 being collected above the estimated budget, which was also +\$150,000 over last year's actual receipts. The shortfall shown in franchise fees was due to actual receipts collected that were less than estimated for natural gas and telecommunications franchise fees, which are hard to predict.

The total expenditure budget decreased by \$183,250 (-0.4%) during the year. The decrease is primarily due to the reclassification of public safety operating budget to transfer-out appropriations to fund capital projects in the Smallhouse/Cavemill Intersection Fund, Municipal Facilities Fund, 800 Trunking Radio Improvement Fund, Technology and Equipment Funds (\$452,250). Other major changes were due to the following:

General Government	\$ (59,000)
Parks and Recreation	47,000
Neighborhood & Community Services	(35,000)
Other Community Services	(6,000)
Public Works	322,000

The comparison of actual expenditures to the final amended expenditure budget results in significant budgetary variances in the following activities: Parks and Recreation (\$0.7 million), Public Works (\$0.4 million), and General Government (\$0.3 million). The positive variances are a result of unspent budgeted projects, disciplined under-spending and budget cuts made during FY2012.

Capital Assets

The City's investment in capital assets totaled \$194.6 million as of June 30, 2012, which represented an increase of \$7.1 million over last year. This investment includes land, buildings, infrastructure, improvements, vehicles, equipment and intangible assets. For governmental activities, investments totaled \$180.2 million, an increase of \$7.8 million over FY2011.

This year's major capital additions included the following:

Fire burn building refurbishment	\$ 158,600
Pedigo Park field light replacement & improvements	95,500
Purchase of 217,219,221,223 College Street	323,143
Purchase of 215 College Street	70,196
Purchase of 310 E 3 rd Avenue	78,630
Police evidence room renovation	77,380
Police Cisco switch replacement	172,254
City Hall & Annex facility security improvements	60,438
Convention Center Corporation carpet improvements	158,679
Convention Center Corporation electronic display boards	73,176

The following table summarizes the changes in net capital assets:

(Net of Depreciation, Stated in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land (including Restricted Land)	\$17.6	\$18.1	\$2.7	\$2.7	\$20.3	\$20.8
Infrastructure	110.2	96.5	0.0	0.0	110.2	96.5
Buildings	29.1	29.9	7.0	7.2	36.1	37.1
Improvements other than buildings	15.9	16.5	4.2	4.6	20.1	21.1
Vehicles, equipment, and furniture	4.4	5.7	0.3	0.3	4.7	6.0
Construction in progress	0.3	2.9	0.0	0.1	0.3	3.0
Intangibles	2.7	2.8	0.0	0.0	2.7	2.8
Property held under capital lease	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Total*	<u>\$180.2</u>	<u>\$172.4</u>	<u>\$14.4</u>	<u>\$15.1</u>	<u>\$194.6</u>	<u>\$187.5</u>

*Numbers may not total due to rounding.

The City has elected to apply the Modified Approach to accounting for street and sidewalk infrastructure systems as set forth in GASB 34. With this approach, the City uses an overall condition index (OCI) to assess the surface condition of individual pavement segments. The City's policy is to consider streets and sidewalks in need when the OCI rating falls below minimum functional classification values. The City's most recent assessment in FY2012 found that 97% of streets and 92% of sidewalks met or exceeded this goal, which is 2% higher and 3% lower than FY2011, respectively. The estimated amount needed to maintain City streets at the specified levels for FY2013 is \$850,000 and \$100,000 for sidewalks, which is included in the upcoming budget. 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 (GO) bonds in fiscal year 1999 as a result of changes in state law that had previously precluded this type of financing. Since GO bonds are backed by the full faith and credit of the City, the bonds 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 GO debt.

Prior to the issuance of GO bonds, mortgage revenue bonds were issued through various public corporations in order to finance public projects. For mortgage revenue bonds, the City entered 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, were sufficient to meet debt service obligations. The underlying security for the bonds was 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 \$130.8 million in bonds and notes outstanding net of bond discounts and premiums. During FY2012, the City issued \$7,720,000 in General Obligation and Special Revenue Refunding Bonds, Series 2012A and 2012B for the purpose of refinancing \$6,320,000 of the Series 2004A and \$1,400,000 of the Series 2004B bonds.

The following table is a summary of the changes in the City's outstanding long-term debt obligations, which are further explained in Note 3F.

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

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation & revenue bonds	\$119.4	\$125.1	\$8.3	\$9.2	\$127.7	\$134.3
Notes & lease purchase agreements	3.4	3.9	0.0	0.0	3.4	3.9
Compensated absences	1.6	1.5	0.0	0.0	1.6	1.5
Landfill post-closure costs	1.0	1.3	0.0	0.0	1.0	1.3
Bond discount and refunding loss	<u>(2.4)</u>	<u>(1.9)</u>	<u>(0.6)</u>	<u>(0.6)</u>	<u>(3.0)</u>	<u>(2.5)</u>
Total	<u>\$123.0</u>	<u>\$129.9</u>	<u>\$7.8</u>	<u>\$8.6</u>	<u>\$130.8</u>	<u>\$138.5</u>

*Numbers may not total due to rounding.

The City maintains bond ratings of "Aa2" from Moody's and "AA-" from Standard & Poors. Despite the provisions for the issuance of GO debt already discussed, legal limits remain on the total amount of GO 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, the City's debt margin is \$343.4 million.

Next Year's Budget

During the budget planning for FY2013, revenue growth projections for FY2013 were kept conservative with the lagging uncertainty regarding the ongoing recession and high unemployment rates. However, there were adjustments made in certain revenue lines to align with what was shaping up with the FY2012 actuals at the time, particularly in the occupational license fee revenues. Budgetary cuts to General Fund expenditures have been made mid-year for the prior three fiscal years, and the FY2013 budget continues upon this theme. The FY2013 adopted General Fund budget utilizes \$750,000 of unassigned fund balance to provide for capital project funding.

The FY2013 adopted expenditure budget for all funds increased by 2.9% over the FY2012 original budget and includes a 2.96% cost of living (COLA) adjustments for all employees and average step adjustments of an additional 1.28% for most employees. The FY2013 budget also allows for increases in debt service requirements and capital improvement spending. There is \$18.6 million budgeted for Capital Improvement Projects, which includes debt service. This is a 1.6% increase over the \$18.3 million CIP budget in FY2012. The FY2013 budget also continues funding in committed fund balance equal to 20% of adopted general fund revenue budget or \$10.1 million. The committed fund balance acts as the City's 'rainy day' account and can be accessed by a majority Board of Commissioners vote.

Improvements in community livability, traffic and roads, parks and golf courses, and a continued investment in technology are some of the highlights of the capital budget in FY2013. The City also plans to continue to honor existing commitments in FY2013, including: funding existing programs, providing financial assistance to contract agencies that provide community services, paying debt service, and providing a fair and equitable pay structure to City employees.

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, PO Box 430, Bowling Green, Kentucky, 42102-0430 or can be e-mailed to jeff.meisel@bgky.org.

CITY OF BOWLING GREEN, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Pooled cash and cash equivalents	\$ 25,365,595	\$ -	\$ 25,365,595	\$ -
Non-pooled cash and cash equivalents	1,646,809	3,508,999	5,155,808	11,956,472
Investments	19,808,667	2,455,460	22,264,127	100,000
Receivables (net):				
Accounts	262,904	36,364	299,268	9,047,598
Loan	199,467	-	199,467	-
Other	299,264	-	299,264	6,378,567
Accrued interest	105,159	-	105,159	-
Due from Western Kentucky University	30,200,000	-	30,200,000	-
Due from other governmental units	448,108	-	448,108	-
Deferred charges	939,992	-	939,992	442,926
Prepaid items	433,067	-	433,067	558,994
Prepaid rent	12,798,262	-	12,798,262	-
Inventories	175,875	102,173	278,048	1,164,379
Other assets	-	-	-	380,508
Restricted assets:				
Non-pooled cash and cash equivalents	13,011,491	-	13,011,491	-
Restricted cash - TVA	-	-	-	521,804
Investments	-	-	-	12,884,018
Capital assets, net of accumulated depreciation:				
Non-depreciable	117,097,786	2,740,298	119,838,084	61,409,688
Depreciable	63,067,494	11,683,577	74,751,071	126,889,878
Total assets	285,859,940	20,526,871	306,386,811	231,734,832
LIABILITIES				
Vouchers and accounts payable	1,206,600	85,350	1,291,950	11,851,653
Accrued payroll	1,225,014	86,380	1,311,394	-
Accrued interest payable	803,858	24,341	828,199	1,204,596
Insurance claims payable	216,895	-	216,895	-
Other current liabilities	-	-	-	2,156,294
Unearned revenue	443,987	-	443,987	-
Deposits	449,927	-	449,927	3,785,989
Noncurrent liabilities:				
Due within one year				
Compensated absences	843,258	35,315	878,573	857,725
Bonds payable	6,459,677	1,012,265	7,471,942	3,156,739
Notes and capital lease obligations	448,619	16,044	464,663	-
Landfill closure and post closure costs	34,644	-	34,644	-
Due in more than one year				
Bonds payable	110,570,701	6,664,225	117,234,926	88,222,697
Notes and capital lease obligations	2,963,415	34,214	2,997,629	-
Compensated absences	710,351	16,116	726,467	310,988
Landfill closure and post closure costs	1,004,676	-	1,004,676	-
Advances from customers and TVA	-	-	-	56,861
Total liabilities	127,381,622	7,974,250	135,355,872	111,603,542
NET ASSETS				
Invested in capital assets, net of related debt	135,364,894	6,697,127	142,062,021	105,018,660
Restricted for:				
Debt service	10,605	-	10,605	5,536,779
Capital projects	6,052,934	-	6,052,934	-
Community development	1,445,322	-	1,445,322	-
Perpetual care (nonexpendable)	825,550	-	825,550	-
Unrestricted	14,779,013	5,855,494	20,634,507	9,575,851
Total net assets	\$ 158,478,318	\$ 12,552,621	\$ 171,030,939	\$ 120,131,290

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Function/Programs	Expenses	Program Revenues			Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ 15,273,247	\$ 3,728,986	\$ 2,443,519	\$ 10,663,079	\$ 1,562,337	\$ -	\$ 1,562,337	\$ -
Public safety	22,297,308	269,502	1,285,993	1,337,212	(19,404,601)	-	(19,404,601)	-
Public works	7,576,164	-	-	907,082	(6,669,082)	-	(6,669,082)	-
Parks and recreation	5,011,216	389,486	-	-	(4,621,730)	-	(4,621,730)	-
Neighborhood and comm. services	5,158,144	-	3,578,891	554,555	(1,024,698)	-	(1,024,698)	-
Community services	1,341,318	-	-	-	(1,341,318)	-	(1,341,318)	-
Interest expense	6,498,659	-	-	-	(6,498,659)	-	(6,498,659)	-
Total governmental activities	<u>63,156,056</u>	<u>4,387,974</u>	<u>7,308,403</u>	<u>13,461,928</u>	<u>(37,997,751)</u>	<u>-</u>	<u>(37,997,751)</u>	<u>-</u>
Business-type activities:								
Golf course	2,759,341	1,438,517	-	-	-	(1,320,824)	(1,320,824)	-
Aquatics	919,636	649,347	-	-	-	(270,289)	(270,289)	-
Convention center	904,908	205,503	-	-	-	(699,405)	(699,405)	-
Total business-type activities	<u>4,583,885</u>	<u>2,293,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,290,518)</u>	<u>(2,290,518)</u>	<u>-</u>
Total primary government	<u>\$ 67,739,941</u>	<u>\$ 6,681,341</u>	<u>\$ 7,308,403</u>	<u>\$ 13,461,928</u>	<u>(37,997,751)</u>	<u>(2,290,518)</u>	<u>(40,288,269)</u>	<u>-</u>
COMPONENT UNITS								
Bowling Green Municipal Utilities	\$ 101,641,707	\$ 103,945,366	\$ -	\$ 468,002	-	-	-	2,771,661
Total component units	<u>\$ 101,641,707</u>	<u>\$ 103,945,366</u>	<u>\$ -</u>	<u>\$ 468,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,771,661</u>
General revenues:								
					11,377,484	-	11,377,484	-
					3,156,411	-	3,156,411	-
					-	432,158	432,158	-
					39,490,949	-	39,490,949	-
					815,700	152,995	968,695	311,111
					262,868	-	262,868	583,114
Total general revenues					<u>55,103,412</u>	<u>585,153</u>	<u>55,688,565</u>	<u>894,225</u>
Transfers					<u>(2,546,700)</u>	<u>2,546,700</u>	<u>-</u>	<u>-</u>
					<u>52,556,712</u>	<u>3,131,853</u>	<u>55,688,565</u>	<u>894,225</u>
Change in net assets					14,558,961	841,335	15,400,296	3,665,886
Net assets, beginning of year					<u>143,919,357</u>	<u>11,711,286</u>	<u>155,630,643</u>	<u>116,465,404</u>
Net assets, end of year					<u>\$ 158,478,318</u>	<u>\$ 12,552,621</u>	<u>\$ 171,030,939</u>	<u>\$ 120,131,290</u>

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
BALANCE SHEET – GOVERNMENTAL FUNDS
 June 30, 2012

	General	WKU Athletics	Debt Service	ITA Bond	Other Governmental Funds	Total Governmental Funds
ASSETS						
Pooled cash and cash equivalents	\$ 9,172,085	\$ -	\$ -	\$ 1,447,048	\$ 12,233,547	\$ 22,852,680
Non-pooled cash and cash equivalents	112,047	-	-	-	1,534,762	1,646,809
Investments	10,561,967	-	-	-	3,969,128	14,531,095
Receivables (net of allowances for uncollectibles):						
Accounts	197,411	-	-	-	57,196	254,607
Loans	-	-	-	-	199,467	199,467
Western Kentucky University	-	30,200,000	-	-	-	30,200,000
Interest	76,514	-	-	-	13,240	89,754
Due (to) from other funds	300,000	-	-	-	(300,000)	-
Due from other governmental units	151,330	-	-	-	296,778	448,108
Prepaid items	110,067	-	-	-	-	110,067
Restricted assets:						
Non-pooled cash and cash equivalents	-	-	10,605	12,242,286	758,600	13,011,491
Total assets	\$ 20,681,421	\$ 30,200,000	\$ 10,605	\$ 13,689,334	\$ 18,762,718	\$ 83,344,078
LIABILITIES AND FUND BALANCES						
Liabilities						
Vouchers and accounts payable	\$ 314,895	\$ -	\$ -	\$ -	\$ 754,844	\$ 1,069,739
Accrued payroll	1,185,061	-	-	-	17,848	1,202,909
Deferred revenue	244,520	30,200,000	-	-	199,467	30,643,987
Security deposits	449,927	-	-	-	-	449,927
Total liabilities	2,194,403	30,200,000	-	-	972,159	33,366,562
Fund Balances						
Non-spendable						
Prepaid expenses	110,067	-	-	-	-	110,067
Restricted for:						
Cemetery perpetual	-	-	-	-	758,600	758,600
Community services	-	-	-	-	1,033,450	1,033,450
Public works	-	-	-	-	1,702,304	1,702,304
Public safety	-	-	-	-	2,016,467	2,016,467
Debt service reserve	-	-	10,605	12,242,286	-	12,252,891
Parks and recreation	-	-	-	-	40,705	40,705
Committed to:						
Economic stabilization	10,142,001	-	-	-	-	10,142,001
Public safety	-	-	-	-	1,418,996	1,418,996
Public works	-	-	-	-	1,983,758	1,983,758
General government	-	-	-	-	472,710	472,710
Assigned to:						
Capital projects	2,000,000	-	-	-	5,640,119	7,640,119
Fleet services	244,530	-	-	-	-	244,530
Debt service	-	-	-	1,447,048	2,367,632	3,814,680
General government	246,660	-	-	-	-	246,660
Public safety	113,566	-	-	-	-	113,566
Public works	557,219	-	-	-	-	557,219
Neighborhood and community service	76,361	-	-	-	288,868	365,229
Parks and recreation	569,648	-	-	-	52,975	622,623
Other purposes	138,046	-	-	-	13,975	152,021
Unassigned	4,288,920	-	-	-	-	4,288,920
Total fund balances	18,487,018	-	10,605	13,689,334	17,790,559	49,977,516
Total liabilities and fund balances	\$ 20,681,421	\$ 30,200,000	\$ 10,605	\$ 13,689,334	\$ 18,762,718	\$ 83,344,078

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Fund balances - total governmental funds \$ 49,977,516

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	215,906,606	
Less accumulated depreciation	<u>(35,884,769)</u>	180,021,837

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.

8,064,705

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

30,499,264

Prepaid rent, which represents amounts due from the Inter-Modal Transit Authority, is a noncurrent asset which is not available to pay current period expenditures.

12,798,262

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	(117,030,378)	
Premiums, deferred charges and discounts on bond obligations	-	
Deferred charges for issuance costs (to be amortized over the life of debt)	939,992	
Notes and lease purchase agreements	(3,412,034)	
Deferred revenue	-	
Accrued interest payable	(803,858)	
Accrued compensated absences	(1,537,668)	
Landfill postclosure care	<u>(1,039,320)</u>	<u>(122,883,266)</u>

\$ 158,478,318

CITY OF BOWLING GREEN, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENT FUNDS

For the Year Ended June 30, 2012

	General	WKU Athletics	Debt Service	ITA Bond	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 10,838,203	\$ -	\$ -	\$ -	\$ 394,958	\$ 11,233,161
Insurance premium taxes	1,454,697	-	-	-	1,676,729	3,131,426
Wages and net profits taxes	37,193,581	-	-	-	2,297,368	39,490,949
Licenses and permits	1,225,876	-	-	-	-	1,225,876
Intergovernmental	166,941	2,314,571	-	-	7,801,375	10,282,887
Investment income	160,285	-	-	456,213	92,598	709,096
Charges for services	534,315	-	-	-	82,874	617,189
Parks and recreation	352,727	-	-	-	-	352,727
Rent income	-	-	-	1,418,056	-	1,418,056
Miscellaneous	227,378	-	-	-	450,906	678,284
Total Revenues	52,154,003	2,314,571	-	1,874,269	12,796,808	69,139,651
EXPENDITURES						
Current:						
General government	6,400,214	-	-	-	16,386	6,416,600
Public safety	22,551,880	-	-	-	1,921,000	24,472,880
Public works	5,815,519	-	-	-	2,064,388	7,879,907
Parks and recreation	5,247,254	-	-	-	51,433	5,298,687
Neighborhood and community services	1,478,359	-	-	-	4,278,207	5,756,566
Community services	563,012	-	-	62,086	-	625,098
Capital Outlay	-	-	-	-	2,491,802	2,491,802
Debt Service:						
Principal	-	1,290,000	3,456,770	2,170,000	475,000	7,391,770
Interest and fiscal charges	-	1,024,571	1,832,997	1,636,203	1,139,213	5,632,984
Total Expenditures	42,056,238	2,314,571	5,289,767	3,868,289	12,437,429	65,966,294
Excess (deficiency) of revenues over (under) expenditures	10,097,765	-	(5,289,767)	(1,994,020)	359,379	3,173,357
Other financing sources (uses):						
Transfers in	1,292,467	-	5,289,767	1,336,130	5,803,542	13,721,906
Transfers out	(10,820,621)	-	-	-	(5,631,393)	(16,452,014)
Issuance of refunding debt	-	-	7,409,463	-	-	7,409,463
Premium from bond refunding	-	-	319,639	-	-	319,639
Payment to refunded debt escrow agent	-	-	(7,718,497)	-	-	(7,718,497)
Proceeds from the sale of capital assets	184,893	-	-	-	-	184,893
Total other financing sources (uses)	(9,343,261)	-	5,300,372	1,336,130	172,149	(2,534,610)
Net change in fund balances	754,504	-	10,605	(657,890)	531,528	638,747
Fund balances, beginning	17,732,514	-	-	14,347,224	17,259,031	49,338,769
Fund balances, ending	\$ 18,487,018	\$ -	\$ 10,605	\$ 13,689,334	\$ 17,790,559	\$ 49,977,516

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
June 30, 2012

Net change in fund balances - total governmental funds \$ 638,747

Amounts reported for governmental activities in the statement of activities are difference 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 sale of capital assets.

Capital asset additions	12,512,370	
Depreciation expense	(3,848,694)	
Sales of capital assets	<u>(873,770)</u>	7,789,906

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. (1,306,097)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal long-term debt consumes the current financial resources of government 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. 6,640,122

Principal and interest payments made in relation to refunded ITA debt are current expenditures in the governmental funds. These items are recorded as prepaids in the statement of activities as they represent a long term lease agreement. 252,786

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. 10,770

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	(58,687)	
Landfill postclosure care	222,589	

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. 368,825

Change in net assets of governmental activities \$ 14,558,961

CITY OF BOWLING GREEN, KENTUCKY
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2012

	Business-Type Activities Enterprise Funds			Total	Governmental
	Golf	Aquatics	Convention Center		Activities
					Internal Service Funds
ASSETS					
Current Assets					
Pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 2,512,915
Non-pooled cash and cash equivalents	527,581	1,038,702	1,942,716	3,508,999	-
Investments	-	274,944	2,180,516	2,455,460	5,277,572
Accounts receivable	-	-	36,364	36,364	8,297
Interest receivable	-	-	-	-	15,405
Lease receivable from component unit	-	-	23,082	23,082	-
Inventories	102,173	-	-	102,173	175,875
Prepaid assets	-	-	-	-	323,000
Total current assets	<u>629,754</u>	<u>1,313,646</u>	<u>4,182,678</u>	<u>6,126,078</u>	<u>8,313,064</u>
Noncurrent assets					
Noncurrent portion of lease receivable from component unit	-	-	163,869	163,869	-
Capital assets					
Land	248,543	200,991	2,290,764	2,740,298	-
Buildings	1,734,994	210,684	10,562,775	12,508,453	200,986
Improvements other than buildings	-	5,647,802	-	5,647,802	-
Golf course improvements	4,770,939	-	-	4,770,939	-
Machinery and equipment	780,219	42,349	1,422,984	2,245,552	281,427
Property held under capital lease	306,633	-	-	306,633	-
	<u>7,841,328</u>	<u>6,101,826</u>	<u>14,276,523</u>	<u>28,219,677</u>	<u>482,413</u>
Less accumulated depreciation	<u>(4,042,950)</u>	<u>(3,487,335)</u>	<u>(6,265,517)</u>	<u>(13,795,802)</u>	<u>(338,971)</u>
Capital assets, net	<u>3,798,378</u>	<u>2,614,491</u>	<u>8,011,006</u>	<u>14,423,875</u>	<u>143,442</u>
Total noncurrent assets	<u>3,798,378</u>	<u>2,614,491</u>	<u>8,174,875</u>	<u>14,587,744</u>	<u>143,442</u>
Total assets	<u>\$ 4,428,132</u>	<u>\$ 3,928,137</u>	<u>\$ 12,357,553</u>	<u>\$ 20,713,822</u>	<u>\$ 8,456,506</u>
LIABILITIES					
Current liabilities					
Vouchers and accounts payable	\$ 42,250	\$ 21,250	\$ 21,850	\$ 85,350	\$ 136,860
Accrued payroll	50,166	35,676	538	86,380	22,105
Accrued interest payable	2,423	9,144	12,774	24,341	-
Deferred revenue	-	-	-	-	-
Insurance claims payable	-	-	-	-	216,895
Current portion of compensated absences	34,684	631	-	35,315	12,081
Current portion of capital lease obligations	16,044	-	-	16,044	-
Capital lease due to component unit	23,082	-	-	23,082	-
Current portion of bond obligations	36,323	335,942	640,000	1,012,265	-
	<u>204,972</u>	<u>402,643</u>	<u>675,162</u>	<u>1,282,777</u>	<u>387,941</u>
Noncurrent liabilities					
Noncurrent portion of compensated absences	13,261	2,855	-	16,116	3,860
Noncurrent portion of capital lease obligations	34,214	-	-	34,214	-
Noncurrent portion of capital lease due to component units	163,869	-	-	163,869	-
Noncurrent portion of bond obligations	480,301	2,355,813	3,828,111	6,664,225	-
Total noncurrent liabilities	<u>691,645</u>	<u>2,358,668</u>	<u>3,828,111</u>	<u>6,878,424</u>	<u>3,860</u>
Total liabilities	<u>896,617</u>	<u>2,761,311</u>	<u>4,503,273</u>	<u>8,161,201</u>	<u>391,801</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,231,496	(77,264)	3,542,895	6,697,127	143,442
Unrestricted	300,019	1,244,090	4,311,385	5,855,494	7,921,263
Total net assets	<u>\$ 3,531,515</u>	<u>\$ 1,166,826</u>	<u>\$ 7,854,280</u>	<u>\$ 12,552,621</u>	<u>\$ 8,064,705</u>

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY

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

For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Golf	Aquatics	Convention Center		
OPERATING REVENUES					
Transient room taxes	\$ -	\$ -	432,158	\$ 432,158	\$ -
Charges for services	1,178,514	508,236	205,503	1,892,253	1,588,761
Sales of merchandise and concessions	259,452	141,111	-	400,563	-
Insurance premiums	-	-	-	-	4,881,170
Judgements and settlements	551	-	-	551	4,679
Contributions and donations	-	-	-	-	6,000
Miscellaneous	-	-	-	-	3,331
Total operating revenues	1,438,517	649,347	637,661	2,725,525	6,483,941
OPERATING EXPENSES					
Cost of sales	186,031	74,133	-	260,164	-
Personnel services	1,257,768	208,648	13,064	1,479,480	512,738
Contractual services	172,785	15,918	44,047	232,750	402,350
Supplies	342,069	73,053	-	415,122	1,128,109
Utilities	91,046	68,294	-	159,340	27,992
Repairs and maintenance	430,096	51,175	138,008	619,279	134,830
Insurance premiums and claims	-	-	-	-	4,168,325
Depreciation	220,473	290,563	330,278	841,314	16,134
Miscellaneous	28,602	524	27	29,153	7,486
Total operating expenses	2,728,870	782,308	525,424	4,036,602	6,397,964
Operating income (loss)	(1,290,353)	(132,961)	112,237	(1,311,077)	85,977
NONOPERATING REVENUES (EXPENSES)					
Interest income	178	15,536	137,281	152,995	99,435
Gain/(loss) on disposal of assets	-	-	(129,719)	(129,719)	-
Interest expense	(31,176)	(118,709)	(180,901)	(330,786)	-
Amortization	705	(18,619)	(68,864)	(86,778)	-
Total nonoperating revenues (expenses)	(30,293)	(121,792)	(242,203)	(394,288)	99,435
Income (loss) before transfers	(1,320,646)	(254,753)	(129,966)	(1,705,365)	185,412
Transfers in	1,023,798	446,126	1,076,776	2,546,700	1,012,413
Transfers out	-	-	-	-	(829,000)
Change in net assets	(296,848)	191,373	946,810	841,335	368,825
Net assets, beginning	3,828,363	975,453	6,907,470	11,711,286	7,695,880
Net assets, ending	\$ 3,531,515	\$ 1,166,826	\$ 7,854,280	\$ 12,552,621	\$ 8,064,705

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Total	Governmental
	Golf	Aquatics	Convention Center		Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,438,247	\$ 669,079	\$ 192,063	\$ 2,299,389	\$ 6,495,542
Other cash receipts	-	-	432,158	432,158	-
Cash payments to employees	(1,433,932)	(272,485)	(12,941)	(1,719,358)	(497,823)
Cash payments to suppliers	(1,068,237)	(198,124)	(160,232)	(1,426,593)	(1,700,551)
Claims paid	-	-	-	-	(4,200,530)
Net cash provided by (used in) operating activities	(1,063,922)	198,470	451,048	(414,404)	96,638
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	1,023,798	446,126	1,076,776	2,546,700	1,012,413
Transfers out	-	-	-	-	(829,000)
Net cash provided by noncapital financing activities	1,023,798	446,126	1,076,776	2,546,700	183,413
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(42,739)	(55,622)	(285,823)	(384,184)	-
Proceeds from sales of capital assets	200	-	-	200	-
Principal paid on bond obligations	(33,099)	(326,599)	(550,000)	(909,698)	-
Principal proceeds paid on component unit lease, net	(19,235)	-	-	(19,235)	-
Principal paid on capital leases	(17,963)	-	-	(17,963)	-
Interest paid on debt obligations	(31,557)	(119,526)	(182,662)	(333,745)	-
Net cash used in capital and related financing activities	(144,393)	(501,747)	(1,018,485)	(1,664,625)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	178	15,536	137,281	152,995	85,813
Purchase of investments	-	(1,782)	-	(1,782)	(25,787)
Proceeds from sale of investments	-	-	72,208	72,208	-
Cash received from lease property	-	-	19,940	19,940	-
Net cash provided by investing activities	178	13,754	229,429	243,361	60,026
Net increase (decrease) in cash and cash equivalents	(184,339)	156,603	738,768	711,032	340,077
Cash and cash equivalents, beginning of year	711,920	882,099	1,203,948	2,797,967	2,172,838
Cash and cash equivalents, end of year	\$ 527,581	\$ 1,038,702	\$ 1,942,716	\$ 3,508,999	\$ 2,512,915
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (1,290,353)	\$ (132,961)	\$ 112,237	\$ (1,311,077)	\$ 85,977
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	220,473	290,563	330,278	841,314	16,134
Change in assets and liabilities					
Accounts receivable	480	19,732	(13,440)	6,772	11,601
Inventories	11,451	-	-	11,451	15,995
Prepaid items	-	-	-	-	-
Accounts payable	(15,090)	10,840	21,850	17,600	(15,779)
Deferred revenue	(750)	-	-	(750)	-
Compensated absences	3,781	107	-	3,888	4,698
Accrued payroll	6,086	10,189	123	16,398	10,217
Insurance claims payable	-	-	-	-	(32,205)
Net cash provided by (used in) operating activities	\$ (1,063,922)	\$ 198,470	\$ 451,048	\$ (414,404)	\$ 96,638

Non-cash transactions:

In FY 2012 the Golf Fund acquired \$38,674 in equipment through capital lease. In addition, the Fund acquired \$354,552 of additional debt through an in-substance advance refunding that defeased \$335,759 of old debt.

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	Pension Trust - Police & Firemen's Retirement	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Pooled cash and cash equivalents	\$ -	\$ 109,715
Non-pooled cash and cash equivalents	345,919	1,652,268
Accrued interest receivable	32,028	-
Investments		
Corporate securities	636,165	-
Mutual funds	3,826,138	-
Kentucky local municipal bonds	1,686,214	-
United States government securities	545,272	-
Total investments at fair value	<u>6,693,789</u>	<u>-</u>
Total assets	<u>\$ 7,071,736</u>	<u>\$ 1,761,983</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,976	\$ -
Due to other governmental units	-	109,715
Other liabilities	<u>-</u>	<u>1,652,268</u>
Total liabilities	<u>1,976</u>	<u>\$ 1,761,983</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 7,069,760</u>	

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2012

	<u>Pension Trust - Police & Firemen's Retirement</u>
ADDITIONS	
Contributions	
Employer	\$ 400,000
Investment income	
Net appreciation in fair value of investments	162,812
Interest	153,507
Dividends	<u>59,194</u>
Total investment earnings	<u>375,513</u>
Total additions	<u>775,513</u>
DEDUCTIONS	
Benefit payments	944,811
Administrative expenses	<u>18,694</u>
Total deductions	<u>963,505</u>
Change in net assets	(187,992)
Net assets, beginning of year	<u>7,257,752</u>
Net assets, end of year	<u><u>\$ 7,069,760</u></u>

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2012

	Bowling Green Municipal Utilities
ASSETS	
Non-pooled cash and cash equivalents	\$ 11,956,472
Investments	100,000
Receivables (net):	
Accounts	9,047,598
Other	6,378,567
Inventories	1,164,379
Prepaid items	558,994
Deferred charges	442,926
Restricted assets:	
Restricted cash - TVA	521,804
Investments	12,884,018
Other assets	380,508
Capital assets, net of accumulated depreciation:	
Non-depreciable	61,409,688
Depreciable	126,889,878
	<hr/>
Total assets	231,734,832
	<hr/>
LIABILITIES	
Vouchers and accounts payable	11,851,653
Compensated absences payable	857,725
Accrued interest payable	1,204,596
Other current liabilities	2,156,294
Customer advances	56,861
Security deposits	3,785,989
Compensated absences payable, noncurrent	310,988
Noncurrent liabilities	
Due within one year	3,156,739
Due in more than one year	88,222,697
	<hr/>
Total liabilities	111,603,542
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	105,018,660
Restricted for capital activities and debt service	5,536,779
Unrestricted	9,575,851
	<hr/>
Total net assets	\$ 120,131,290
	<hr/> <hr/>

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2012

Function/Programs	Expenses	Program Revenues			Net (expense)
		Charges for Services	Operating Contributions	Capital Contributions	Revenue and Changes in Net Assets
					Bowling Green Municipal Utilities
Bowling Green Municipal Utilities	\$ 101,641,707	\$ 103,945,366	\$ -	\$ 468,002	\$ 2,771,661
General revenues:					
	Investment income				311,111
	Miscellaneous				583,114
	Total general revenues				<u>894,225</u>
	Change in net assets				3,665,886
	Net assets, beginning of year, restated				<u>116,465,404</u>
	Net assets, end of year				<u><u>\$ 120,131,290</u></u>

See accompanying notes

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

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CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 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.

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

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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 Commissioners 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.

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.

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. Joint Venture - The Inter-Modal Transportation Authority, Inc. (ITA) is a non-profit corporation organized for the purpose of acquiring and financing public projects and public facilities as an agent for the City and the County of Warren, Kentucky, jointly. In the year ended June 30, 2008, the City approved the issuance of General Obligation bonds (Series 2007 B & C) in the amount of \$27,415,000 to refinance the ITA's mortgage-backed bonds that were outstanding. The City entered into a ground lease with the Authority, providing for the City's acquisition of a leasehold estate in the project. The City, Warren County, and the Authority entered into a Contract, Lease & Option agreement in which the Authority and County shall lease back the project from the City in consideration of rental payments to be utilized by the City in support of the payment of principal and interest on the general obligation bonds. The City and Warren County have each pledged to evenly share any shortfalls towards payment of debt service on the outstanding bonds. In 2012, the ITA and Warren County made rental payments of \$1,418,056. The City was required to fund an additional \$1,233,550 related to the required debt service payments. The separately audited financial statements of the ITA can be obtained from the finance department of the City.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

D. 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 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.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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. Governmental funds reimburse the Employee Health Care, Workers Compensation, Fleet Maintenance funds and property and Casualty for employer insurance and fleet maintenance expenses; these revenues and expenses are eliminated upon consolidation. Direct expenses of the internal service funds are not eliminated.

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.

E. 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 Debt Service Fund** is used to account for revenues received from Western Kentucky University (WKU) consisting of student athletic fees and suite rentals collected by WKU 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 \$27,775,000 General Obligation and Special Revenue Bonds, Series 2010 and \$1,805,000 General Obligation and Special Revenues Bonds, Series 2011 as well as \$2,045,000 on the City's General Obligation and Special Revenues Bonds, Series 2002B and 2002C.

The **ITA Bond Debt Service Fund** is used to account for revenues received from lease payments made by the ITA and Warren County and expenditures related to the 2007A and 2007B bond issues that were used for refinancing the Kentucky Transpark.

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 in the governmental funds.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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 pool and water park.

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 a user charge basis. Internal Service Funds include the Fleet Maintenance Fund, Employee Health Care Fund, Workers Compensation Fund and Property and Casualty Fund.

Fiduciary Funds are used to account for assets held 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 4% transient room tax and payment to the Bowling Green Area Convention and Visitors Bureau and the Convention Center Corporation.

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.

Treasurer's Distribution Fund is used to account for collection of miscellaneous receipts requiring disbursement to other outside agencies.

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 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.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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 collects 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, 2012, 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 Government-wide and fund financial statements. Prepaid rent consists of payments made by the City in relation to a leasehold estate in the Inter-Modal Transit Authority project, net of current year amortization of rent expense.

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. Land, building, and improvements expenditures for items having a useful life greater than one year and having a cost greater than \$25,000 are capitalized. Machinery and equipment expenditures for items having a useful life greater than one year and having a cost greater than \$5,000 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, 2012

Property, plant, and equipment of the City are 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	10 - 40 years	10 - 35 years
Infrastructure - drainage	30 - 100 years	N/A
Machinery and equipment	3 - 7 years	3 - 10 years
Vehicles	5 - 7 years	5 - 7 years
Intangible assets	10 years – infinite	N/A

The City's infrastructure consists of the street and storm sewers systems. The street system consists of streets, right of ways, sidewalks, and curbs. The storm sewers system consists of gutters and storm sewers. The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its street system. 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 as expenditures in the period incurred unless those expenditures improve on those streets original condition or 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, perform condition assessments on the street

pavement at least once every three years, and estimate 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 on/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 monthly 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 amount 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 discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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.

Unearned Revenues – The City defers revenue recognition in connection with resources that have been received but not yet earned. At the end of fiscal year 2012, licenses and permits paid in advance of \$244,520 have been deferred, \$199,467 in accounts and loan receivable have been recorded as deferred revenue as these amounts have not yet been earned.

Fund Equity –The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by the City itself, by Ordinance approved by the Board of Commissioners; to be reported as committed, amounts cannot be used for any other purpose unless the City takes action to remove or change the constraint;
- Assigned fund balance – amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City or the City Manager, Assistant City Manager, and/or Chief Financial Officer or body to which the City delegates authority as established by the City's Fund Balance Policy included in the City's Financial Policies approved the Board of Commissioners.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General Fund.

When both restricted and unrestricted funds are available for expenditure, restricted funds are spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds second, and unassigned funds last.

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, 2012

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 accounting principles generally accepted in the United States 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 revenues 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.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash and Investments

Primary Government

The Government's bank balances at June 30, 2012 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 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, 2012 are summarized and categorized below in the following table:

<u>Primary Government (except Fiduciary Funds)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Certificate of Deposit	\$ 16,003,104	0.74
Tax Free Mutual Funds	3,086,888	0.77
U.S. Agencies CMO	3,127,385	0.04
Money Markets	46,750	n/a
	<u>\$ 22,264,127</u>	

Interest Rate Risk - The Government has adopted an investment policy that recommends controlling interest rate risk through maturity diversification. To the extent possible, the Government will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - The Government has no policy related to credit risk.

Concentration of 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.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

Component Units

Bowling Green Municipal Utilities

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, 2012 are summarized and categorized in the following tables:

<u>Bowling Green Municipal Utilities Water-Sewer Division</u>		
<u>Investment Type</u>	<u>Fair Value</u>	Maturities in Years
		Less than 1
U.S. agencies obligations	\$ 34,995	\$ 34,995
U.S. Treasury mutual fund	2,755,667	2,755,667
Federal Home Loan Bank mutual fund	1,309,829	1,309,829
Government obligation mutual fund	9,214,282	9,214,282
	<u>\$ 13,314,773</u>	<u>\$ 13,314,773</u>

The carrying value of deposits and investments shown above are included in the Combining Statement of Net Assets - Component Units - Bowling Green Municipal Utilities as follows:

Carrying Value	
Deposits	\$ 1,026,179
Investments	13,314,773
	<u>\$ 14,340,952</u>

Included in the following captions:

Non-pooled cash and cash equivalents	\$ 2,880,053
Investments and restricted funds	11,460,899
	<u>\$ 14,340,952</u>

Bowling Green Municipal Utilities Electric Division

<u>Investment Type</u>	<u>Fair Value</u>	Maturities in Years
		Less than 1
U.S. agencies obligations	\$ 880,216	\$ 880,216
U.S. Treasury mutual fund	542,903	542,903
	<u>\$ 1,423,119</u>	<u>\$ 1,423,119</u>

The carrying value of deposits and investments are included in the Combining Statement of Net Assets - Component Units - Bowling Green Municipal Utilities as follows:

Carrying Value	
Deposits	\$ 9,138,083
Investments	1,423,119
	<u>\$ 10,561,202</u>

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

Included in the following captions:

Cash and cash equivalents	\$ 9,038,083
Noncurrent cash, cash equivalents and investments	1,523,119
	<u>\$ 10,561,202</u>

Interest Rate Risk – Investment rate risk is the risk that changes in market interest rates will adversely affect the value of an investment. 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. The Municipal Utilities does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2012, 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 U.S. agencies obligations not directly guaranteed by the U.S. Government was rated AAA by Standard & Poor's and A-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. As of June 30, 2012 the Municipal Utilities were not exposed to custodial credit risk.

Concentration of Credit Risk - The Utility places no limit on the amount that may be invested in any one issuer. At June 30, 2012, the Water-Sewer Division's investment in Federal Home Loan Bank obligations constituted approximately 10% of its total investments and its investment in First American Government Obligation Mutual Fund constituted approximately 69% of its total investments. At June 30, 2012, the Electric Division's investment in Federal National Mortgage Association obligations constituted 62% of its total investments.

Policemen and Firefighters' Retirement Fund

Approximately 9% 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.

Investment Maturities
(In Years)

Investment Type	Fair Value	Less than 1	1-5	5-10	More than 10
U.S. Government	\$ 545,271	\$ -	\$ -	\$ 1,225	\$ 544,046
Corporate Securities	636,165	-	636,165	-	-
Kentucky Municipal Bonds	1,686,214	-	364,471	706,627	615,116
Mutual Funds	3,826,138	3,826,138	-	-	-
Total	<u>\$ 6,693,788</u>	<u>\$ 3,826,138</u>	<u>\$ 1,000,636</u>	<u>\$ 707,852</u>	<u>\$ 1,159,162</u>

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

June 30, 2012

Debt Securities Investments at Fair Value	
Quality Ratings	2012
AAA	\$ 104,929
AA3	1,155,338
AA2	360,623
A1	277,244
A2	102,639
A3	108,530
BAA1	109,337
BAA2	103,740
Total Credit Risk Debt Securities	2,322,380
U.S. Government Agencies	545,271
Mutual Funds	3,826,138
Total Debt Securities	\$ 6,693,789

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the financial institution, the fund will not be able to recover the value of its cash equivalents. At June 30, 2012, the Fund's carrying amounts for cash investments were uninsured, but held in the Fund by the corresponding bank's trust department.

B. Restricted Assets

Governmental Activities

Cemetery Perpetual Fund - Assets totaling \$758,600 are reported in the Cemetery Perpetual Fund as these assets are restricted for cemetery maintenance.

2007B & C General Obligation Bonds - For the 2007B and C bonds, various accounts were established for the payment of outstanding Inter-Model Transportation Authority mortgage-backed bonds as they come due. The balance of these funds at June 30, 2012 is \$12,242,286.

2004A & B General Obligation Bonds - For the 2004A and B bonds, accounts were established related to the partial refunding in FY 2012. The balance of these funds at June 30, 2012 is \$10,605.

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, 2012

C. Loans Receivable

The Community Development Special Revenue Fund has a loan 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 economic development projects in the City. The loan receivable at June 30, 2012 consist of the following:

Clay Street Station, LLC note receivable in 180 installments of \$2,682 including interest at 3.5%; final balloon payment of \$147,364 due June 1, 2014; secured by real estate.	<u>\$ 199,467</u>
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CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

D. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,763,165	\$ 471,969	\$ (606,864)	\$ 17,628,270
Restricted Land	345,097	-	(345,097)	-
Infrastructure	85,599,040	13,561,010	-	99,160,050
Construction in progress	2,947,970	1,248,949	(3,887,453)	309,466
Total capital assets, not being depreciated	<u>106,655,272</u>	<u>15,281,928</u>	<u>(4,839,414)</u>	<u>117,097,786</u>
Capital assets, being depreciated:				
Stormwater Infrastructure	12,125,975	352,730	-	12,478,705
Buildings	41,047,280	296,664	(270,787)	41,073,157
Improvements other than buildings	20,790,365	133,921	(41,647)	20,882,639
Intangibles	2,911,499	38,476	-	2,949,975
Vehicles, equipment and furniture	21,839,441	458,478	(383,984)	21,913,935
Total capital assets, being depreciated	<u>98,714,560</u>	<u>1,280,269</u>	<u>(696,418)</u>	<u>99,298,411</u>
Less accumulated depreciation:				
Stormwater Infrastructure	(1,236,484)	(252,416)	-	(1,488,900)
Buildings	(11,155,257)	(1,022,005)	213,397	(11,963,865)
Improvements	(4,329,864)	(727,769)	22,448	(5,035,185)
Intangibles	(147,358)	(105,425)	-	(252,783)
Vehicles, equipment and furniture	(16,109,361)	(1,757,213)	376,390	(17,490,184)
Total accumulated depreciation	<u>(32,978,324)</u>	<u>(3,864,828)</u>	<u>612,235</u>	<u>(36,230,917)</u>
Total capital assets, being depreciated, net	<u>65,736,236</u>	<u>(2,584,559)</u>	<u>(84,183)</u>	<u>63,067,494</u>
Governmental activities, capital assets, net	<u>\$ 172,391,508</u>	<u>\$ 12,697,369</u>	<u>\$ (4,923,597)</u>	<u>\$ 180,165,280</u>
	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Business-type assets:				
Capital assets, not being depreciated:				
Land	\$ 2,740,298	\$ -	\$ -	\$ 2,740,298
Construction in progress	158,354	73,502	(231,856)	-
Total capital assets, not being depreciated	<u>2,898,652</u>	<u>73,502</u>	<u>(231,856)</u>	<u>2,740,298</u>
Capital assets, being depreciated:				
Buildings	12,467,111	214,301	(172,959)	12,508,453
Improvements other than buildings	10,418,741	-	-	10,418,741
Vehicles, equipment and furniture	2,325,074	208,358	(287,880)	2,245,552
Property held under capital lease	306,633	-	-	306,633
Total capital assets, being depreciated	<u>25,517,559</u>	<u>422,659</u>	<u>(460,839)</u>	<u>25,479,379</u>
Less accumulated depreciation:				
Buildings	(5,247,511)	(341,293)	43,240	(5,545,564)
Improvements	(5,845,561)	(422,738)	-	(6,268,299)
Vehicles, equipment and furniture	(2,044,359)	(69,852)	287,880	(1,826,331)
Property held under capital lease	(148,177)	(7,431)	-	(155,608)
Total accumulated depreciation	<u>(13,285,608)</u>	<u>(841,314)</u>	<u>331,120</u>	<u>(13,795,802)</u>
Total capital assets, being depreciated, net	<u>12,231,951</u>	<u>(418,655)</u>	<u>(129,719)</u>	<u>11,683,577</u>
Business-type activities, capital assets, net	<u>\$ 15,130,603</u>	<u>\$ (345,153)</u>	<u>\$ (361,575)</u>	<u>\$ 14,423,875</u>

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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

Governmental activities	
General government	\$ 428,311
Public safety	1,801,974
Public works	727,563
Parks and recreation	748,996
Housing and community development	157,984
Total depreciation expense - governmental activities	<u>\$ 3,864,828</u>
Business-type activities	
Golf course	\$ 220,473
Aquatics	290,563
Convention Center	330,278
Total depreciation expense - business-type activities	<u>\$ 841,314</u>

Component unit capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Bowling Green Municipal Utilities				
Capital assets, not being depreciated:				
Construction in progress	\$ 41,460,832	\$ 20,372,943	\$ (424,087)	\$ 61,409,688
Capital assets, being depreciated:				
Transmission plant	2,023,537	91,732	(26,246)	2,089,023
Distribution plant	70,193,239	2,343,841	(367,766)	72,169,314
Structures and improvements, nodes	261,330	4,510	-	265,840
General plant	13,099,414	1,251,996	(510,120)	13,841,290
Water plant	73,358,009	999,398	(36,809)	74,320,598
Sewer plant	55,482,368	165,711	-	55,648,079
Equipment	4,132,710	748,247	(31,853)	4,849,104
Overhead conductors and devices	4,818,987	161,824	-	4,980,811
Trucks and autos	1,849,042	130,228	(56,423)	1,922,847
Office equipment	1,383,275	184,457	-	1,567,732
Office additions	65,716	-	-	65,716
Total capital assets, being depreciated	<u>226,667,627</u>	<u>6,081,944</u>	<u>(1,029,217)</u>	<u>231,720,354</u>
Less accumulated depreciation	<u>(98,925,929)</u>	<u>(7,221,056)</u>	<u>1,316,509</u>	<u>(104,830,476)</u>
Total capital assets, being depreciated, net	<u>127,741,698</u>	<u>(1,139,112)</u>	<u>287,292</u>	<u>126,889,878</u>
Bowling Green Municipal Utilities, capital assets, net	<u>\$ 169,202,530</u>	<u>\$ 19,233,831</u>	<u>\$ (136,795)</u>	<u>\$ 188,299,566</u>

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

E. 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.

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

Transfers In	Transfers Out						Total
	General	WKU Fund	Debt Service	ITA Bond	Non-Major Governmental	Internal Service	
Within the primary government:							
General	\$ -	\$ -	\$ -	\$ -	\$ 1,213,467	\$ 79,000	\$ 1,292,467
ITA Bond	1,336,130	-	-	-	-	-	1,336,130
Debt Service	3,049,154	-	-	-	2,240,613	-	5,289,767
Golf	522,365	-	-	-	501,433	-	1,023,798
Aquatics	-	-	-	-	446,126	-	446,126
Convention Center	-	-	-	-	1,076,776	-	1,076,776
Internal Service	262,413	-	-	-	-	750,000	1,012,413
Non-major governmental	5,650,559	-	-	-	152,978	-	5,803,537
Total within primary government	\$ 10,820,621	\$ -	\$ -	\$ -	\$ 5,631,393	\$ 829,000	\$ 17,281,014

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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.

Primary Government:

	Purpose of Issue	Original Issue	Interest Rate	Final Maturity	Amount Outstanding
Governmental Activities					
General Obligation and Revenue Bonds					
General Obligation Bond, Series 2002A	City Police Headquarters Expansion	6,430,000	1.90% - 4.70%	June 30, 2017	\$ 2,760,000
General Obligation Bond, Series 2002B	Western Kentucky University Project	30,115,000	3.50% - 5.00%	June 1, 2013	1,055,000
General Obligation Bond, Series 2002C	Western Kentucky University Project	1,800,000	5.875% - 6.5%	June 1, 2012	-
General Obligation Bond, Series 2004A	Parks Community Center, Police Dept. Headquarters, Public Works Renovations, Parks & Cemetery Improvements	12,626,000	2.422% - 4.792%	June 30, 2024	2,967,448
General Obligation Bond, Series 2004B	Real Properties	2,025,000	3.0% - 5.050%	June 30, 2024	185,000
General Obligation Bond, Series 2007A	Lovers Lane Utilities, Park Community Center Expansion, Circus Square, Downtown Signalization, SkyPAC land acquisition, various road projects, Southwest Parkway property acquisition, Broadway Curve Straightening, Fields Drive and Skate Park	14,905,000	4.0% - 5.0%	June 30, 2033	12,915,000
Warren County Water District 2003 Bond	John Jones Area Water & Sewer Construction	165,954	3.70%	July 1, 2025	112,506
General Obligation Bond, Series 2007B	Inter-Modal Transportation Authority, Inc. refinancing	20,615,000	3.375% - 4.625%	September 1, 2023	18,275,000
General Obligation Bond, Series 2007C	Inter-Modal Transportation Authority, Inc. refinancing	6,800,000	5.60%	September 1, 2023	6,110,000
General Obligation Bond, Series 2008A	Baseball Stadium construction	24,835,000	3.50% - 5.00%	June 1, 2038	23,465,000
General Obligation Bond, Series 2008B	Fire stations at Greenwood, Airport and Fire Headquarters	6,585,000	3.50% - 4.75%	June 1, 2028	5,585,000
General Obligation Bond, Series 2009	Refinance prior year bond obligations	12,119,800	3.00% - 4.50%	June 1, 2020	9,497,950
General Obligation Bond, Series 2010/ 2011	Refinance prior year bond obligations	29,580,000	0.5% - 3.75%	June 1, 2026	29,145,000
General Obligation Bond, Series 2012A	Refinance GO Series 2004A	5,965,448	2.0% - 3.0%	June 1, 2024	5,965,448
General Obligation Bond, Series 2012B	Refinance GO Series 2004B	1,400,000	1.0% - 3.3%	June 1, 2024	1,400,000
					<u>119,438,352</u>
Premiums, deferred charges and discounts on bond obligations					(2,407,974)
Total General Obligation and Revenue Bonds					<u>\$ 117,030,378</u>
Notes and Lease Purchase Agreements					
National City Bank	2004 fire truck ladder	713,000	Prime - 1.67%	December 5, 2013	142,400
BB&T	Relocation of operations division & realignment of 14th Avenue	1,630,000	10 yr LIBOR	July 2, 2025	1,029,469
US Bank	Depot project	1,000,000	5.02%	June 7, 2018	411,402
Chase Bank	2007 Fire Pumper and Quint	1,019,193	3.97%	August 1, 2018	635,392
Chase Bank	2010 Fire Aerial & Pumper Trucks	1,309,391	2.66%	October 1, 2020	1,193,371
Total Notes Payable and Capital Leases					<u>3,412,034</u>
Other Long-Term Liabilities					
Compensated Absences					1,553,609
Landfill					1,039,320
					<u>2,592,929</u>
Total long-term governmental liabilities					<u>\$ 123,035,341</u>

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

General Obligation Bond, Series 2003	Crosswinds Pro Shop/Conv. Cntr Facility	8,585,000	2.0% - 3.7%	June 30, 2018	\$ 4,910,000
	Hobson Golf Pro Shop and maintenance				
General Obligation Bond, Series 2004A	facility	749,000	3.8% - 5.050%	June 30, 2024	172,553
General Obligation Bond, Series 2009	Refinance prior year bond obligations	3,620,200	3.00% - 4.50%	June 1, 2020	2,837,050
General Obligation Bond, Series 2012A	Refinance GO Series 2004A	354,552	2.0% - 3.0%	June 1, 2024	<u>354,552</u>
					8,274,155
Premiums, deferred changes and discounts on bond obligations					<u>(597,665)</u>
Total General Obligation Bonds					<u><u>7,676,490</u></u>
Notes Payable and Capital Leases					
BB&T	John Deere tractor	27,800	3.98%	February 1, 2013	3,440
BB&T	Greens Roller lease	24,820	3.71%	February 1, 2015	15,602
BB&T	John Deere bed knife grinder & reel grinder	38,674	2.74%	June 15, 2016	31,216
Total Notes Payable and Capital Leases					<u><u>50,258</u></u>
Other Long-Term Liabilities					
Compensated Absences					51,431
Total long-term business-type liabilities					<u><u>\$ 7,778,179</u></u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due In One Year
Governmental Activities:					
General obligation and revenue bonds	\$ 125,083,362	\$ 7,365,448	\$ (13,010,458)	\$ 119,438,352	\$ 6,459,677
Notes and lease purchase agreements	3,944,088	-	(532,054)	3,412,034	448,619
Adjustments for deferred amounts:					
Discount on bonds payable	(137,870)	-	13,139	(124,731)	-
Premium on bonds payable	877,672	319,639	(184,451)	1,012,860	-
Loss on refunding	(2,616,294)	(889,638)	209,829	(3,296,103)	-
Total bonds, notes, leases payable	127,150,958	6,795,449	(13,503,995)	120,442,412	6,908,296
Compensated absences	1,490,221	63,388	-	1,553,609	843,258
Landfill postclosure care	1,261,909	-	(222,589)	1,039,320	34,644
Total governmental activities	129,903,088	6,858,837	(13,726,584)	123,035,341	7,786,198
Business Type Activities					
General obligation and revenue bonds	9,165,066	354,552	(1,245,463)	8,274,155	1,012,265
Notes and lease purchase agreements	29,547	38,674	(17,963)	50,258	16,044
Compensated absences	47,543	3,888	-	51,431	35,315
Less: unamortized bond discount and deferred amount from refunding	(665,657)	(41,749)	109,741	(597,665)	-
Total business-type activities	8,576,499	355,365	(1,153,685)	7,778,179	1,063,624
Total governmental and business-type activities	\$ 138,479,587	\$ 7,214,202	\$ (14,880,269)	\$ 130,813,520	\$ 8,849,822

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

Component Units	Balance	Increases	Decreases	Balance	Amounts Due
	June 30, 2011			June 30, 2012	
Bowling Green Municipal Utilities					
Water-Sewer Division					
Notes payable	\$ 53,071,774	\$ 26,762,168	\$ (1,595,570)	\$ 78,238,372	\$ 2,116,739
Electric Division					
Revenue bonds	9,310,000	-	(1,010,000)	8,300,000	1,040,000
General Services Division					
Notes payable	5,000,000	75,000	(75,000)	5,000,000	-
Less: unamortized bond discount	(190,018)	-	31,082	(158,936)	-
	<u>\$ 67,191,756</u>	<u>\$ 26,837,168</u>	<u>\$ (2,649,488)</u>	<u>\$ 91,379,436</u>	<u>\$ 3,156,739</u>

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, \$15,943 of internal service fund compensated absences is 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.

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 Agreements		General Obligation and Revenue Bonds		Notes and Lease Agreements	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2013	\$ 4,702,093	\$ 6,459,677	\$ 126,609	\$ 448,619	\$ 289,689	\$ 1,012,265	\$ 1,488	\$ 16,044
2014	4,463,828	6,788,115	109,488	457,363	256,626	1,013,429	1,039	12,836
2015	4,249,267	7,103,991	92,526	395,061	220,170	1,118,351	637	13,238
2016	4,009,542	7,344,072	76,743	355,824	178,828	1,123,834	223	8,140
2017	3,741,426	7,575,390	62,209	363,577	136,877	1,081,486	-	-
2018-2022	14,354,756	38,531,811	146,509	1,147,519	177,067	2,823,529	-	-
2023-2027	7,141,147	26,795,296	29,213	244,071	3,808	101,261	-	-
2028-2032	3,474,991	9,750,000	-	-	-	-	-	-
2033-2037	1,431,588	7,555,000	-	-	-	-	-	-
2038	76,750	1,535,000	-	-	-	-	-	-
	<u>\$47,645,388</u>	<u>\$ 119,438,352</u>	<u>\$ 643,297</u>	<u>\$ 3,412,034</u>	<u>\$ 1,263,065</u>	<u>\$ 8,274,155</u>	<u>\$ 3,387</u>	<u>\$ 50,258</u>

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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
2013	\$ 2,116,739	\$ -	\$ 1,040,000	\$ 3,156,739
2014	51,489,352	5,000,000	260,000	56,749,352
2015	1,520,107		265,000	1,785,107
2016	1,559,481		280,000	1,839,481
2017	1,599,276		290,000	1,889,276
2018-2022	8,672,233	-	1,265,000	9,937,233
2023-2027	7,554,978	-	1,435,000	8,989,978
2028-2032	3,726,206	-	1,765,000	5,491,206
2033-2037	-	-	1,700,000	1,700,000
Total	<u>\$ 78,238,372</u>	<u>\$ 5,000,000</u>	<u>\$ 8,300,000</u>	<u>\$ 91,538,372</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. \$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.
2. \$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 on page 58). This bond is secured by the full faith, credit and taxing power of the City and WKU student athletic fees. In December 2010, this Bond was partially refunded by Series 2010.
3. \$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 on page 58). In December 2010, this Bond was partially refunded by Series 2011. This bond was paid off in FY 2012.
4. \$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.
5. \$165,954, which is 45.71% of the 2003 Warren County Water District bond, issued for the John Jones area water and sewer construction by the Warren County Water District. The City entered into a pledge agreement to assist the Water District in repaying this indebtedness.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

6. \$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, property acquisition 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.

In April 2012, this bond was partially refunded by Series 2012.

7. \$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. In April 2012, this bond was partially refunded by Series 2012.
8. \$14,905,000 general obligation bonds, Series 2007A, issued to finance costs for construction of public park improvements, construction of utilities, design and construction of a skate park, Circus Square acquisition and construction, land acquisition, construction of public roads, and installation of downtown signalization upgrades.
9. \$27,415,000 general obligation bonds, Series 2007 B & C, issued for the purpose of refinancing the existing mortgage-backed bond issues that were used for acquisition and construction of the Kentucky Transpark. Series B is comprised of \$20,615,000 tax-exempt bonds, and Series C is comprised of \$6,800,000 taxable bonds.
10. \$24,835,000 general obligation bonds, Series 2008A, issued for the purpose of constructing a baseball park and related infrastructure for the Bowling Green Hot Rods, a single A baseball team.
11. \$6,585,000 general obligation bonds, Series 2008B, issued for the purpose of constructing the Greenwood Fire Station and the expansions and renovations of the Headquarters and Airport fire stations.
12. \$15,740,000 general obligation bonds, Series 2009, issued for the purpose of refinancing the 1995 Bowling Green Municipal Projects Corporation Lease Revenue Bonds, the 1998 City of Bowling Green General Obligation Bonds, Series A and the 2000 City of Bowling Green General Obligation bonds.
13. \$29,580,000 general obligation and special revenue refunding bonds, Series 2010 and Series 2011, issued for the purpose of refinancing the series 2002B and series 2002C general obligation and special revenue bonds.
14. \$6,320,000 general obligation bonds, Series 2012A, issued for the purpose of refinancing Series 2004A, general obligation bonds. 94.4% of the proceeds were recorded in the Debt Service Fund and 5.6% were recorded in the Golf Enterprise Fund.
15. \$1,400,000 general obligation bonds, Series 2012B, issued for the purpose of refinancing Series 2004B, general obligation bonds

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.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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 of 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.

In fiscal year 2011, the City issued general obligation and special revenue refunding bonds Series 2010 and Series 2011 for \$29,580,000 for the purpose of refinancing \$27,595,000 of the Series 2002B and Series 2002C 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, \$1,800,000 General Obligation and Special Revenue Bonds, Series 2002C, and \$29,580,000 General Obligation and Special Revenue Refunding Bonds, Series 2010 and Series 2011 for the WKU Project:

Year Ending June 30,	Principal 2002B	Principal 2010/2011	Interest 2002B	Interest 2010/2011	Total
2013	\$ 1,055,000	\$ 355,000	\$ 22,419	\$ 934,595	\$ 2,367,014
2014	-	1,540,000	-	930,690	2,470,690
2015	-	1,650,000	-	905,980	2,555,980
2016	-	1,775,000	-	872,980	2,647,980
2017	-	1,915,000	-	828,605	2,743,605
2018-2022	-	11,595,000	-	3,174,125	14,769,125
2023-2026	-	10,315,000	-	1,010,536	11,325,536
	<u>\$ 1,055,000</u>	<u>\$ 29,145,000</u>	<u>\$ 22,419</u>	<u>\$ 8,657,511</u>	<u>\$ 38,879,930</u>

As of June 30, 2012 the City has recorded a receivable from WKU and deferred revenue of \$30,200,000 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 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.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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.

TIF District

In August 2007, the City approved the establishment of a downtown development area Tax Incremental Financing (TIF) district, which was later amended and expanded in October 2008. With the establishment of the district, the City pledged 80% of new incremental growth in property tax, withholding tax, and net profit fee revenues produced within the boundaries of the district to the Warren County Downtown Economic Development Authority (the Authority), a Chapter 58 agency designated to administer and oversee the project. These incremental revenues are to be used for purposes of debt service on the project. The State also pledged 80% of incremental revenues within the district under the condition that the project reached \$200 million in eligible projects, which was later amended to \$150 million by the State General Assembly in June 2009.

During FY09, the City issued \$25 million in general obligation bonds to fund the construction of a ballpark for a single A team in Bowling Green located inside the TIF district. The bond proceeds included funding for infrastructure and capitalized interest and were placed into a construction fund account. The construction of the ballpark, including the bidding of the project and all construction oversight, was performed by the Authority. Draws totaling \$23 million for construction were requested through the City from the bond construction account and distributed to the contractor monthly. The other \$2 million was set aside for capitalized interest and cost of issuance.

Title to the ballpark is held by the Authority who sold the ballpark to a Single Purpose Entity (SPE) which will provide new market tax credits in return for additional borrowings to fund other TIF construction. At the end of the bond term (30 years) the city will receive title to the ballpark. The City is entitled to the net revenue generated from the ballpark.

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, 2012, \$53,369,806 of bonds outstanding is considered defeased.

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, 2012, the cash, investments and due from other governments available totaled \$1,447,940.

In fiscal year 2005, the Environmental and Public Protection Cabinet announced a program under which the commonwealth might assume responsibility for many aspects of landfill closure currently funded by local jurisdictions. However, under the provisions of the enabling legislation (HB 174 Kentucky Pride Fund, KRS 224.43-505) it appears that jurisdictions may well retain the bulk of costs to maintain landfill sites (e.g. sampling, pumping, transportation and disposal of leachate, erosion control, mowing, etc.). Until the full impact of KRS 224.43-505 is felt, it is prudent to assume annual outlays at all three Bowling Green landfill sites will continue, to some extent, in perpetuity. Under current assumptions and projections the Landfill Closure Special Revenue Fund is sufficiently capitalized through 2025, beyond which the city will need an alternate source of funds to maintain landfill sites.

The estimate of present value of remaining closure and post-closure care liabilities for all three landfill sites as of June 30, 2012 is \$1,039,320. 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).

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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 the 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.

The City has submitted a closure application for Glen Lily which has not been approved to date, owing to the EPPC backlog of active landfill oversight responsibilities. The City continues to monitor and care for the landfill, submit required reports, and assume the city will incur landfill maintenance costs at least through 2034. A two year post-closure care period will follow the date upon which the City receives acceptance of any closure application, if the application is processed in accordance with precedent.

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 completed 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. The City submitted quarterly and annual inspections and reports to the cabinet. 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. However, the state has not granted final closure to date. Consequently, the City continues to monitor and care for the landfill, submit required reports, and assume the city will incur landfill maintenance costs at least through 2034.

Old Louisville Road

Landfill closure cap construction is complete and the City performs annual monitoring, testing and reporting. The Greenways Commission is considering a project for some compatible recreational use of the landfill area with which EPPC agrees in principle, but for which they will not agree in particular without review of such development plans as Greenways may offer for consideration.

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 in 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. Consequently, the City continues to monitor and care for the landfill, submit required reports, and assume the city will incur landfill maintenance costs at least through 2034. A two year post-closure period will follow the date upon which the state should grant closure if the closure application is processed in accordance with precedent.

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.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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 \$75,000 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 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. The Trust reinsures through commercial companies at various limits, depending on the type of coverage. The WCF provides coverage of up to \$100,000 for each worker's compensation occurrence.

Beginning Fiscal Year 2012, the City established the Property & Casualty (P&C) Fund to account for and finance its participation in the Kentucky League of Cities Insurance Services (KLCIS) General Insurance Trust. The P&C fund provides payment for premiums for all insurance coverage types except workers' compensation. The fund was also established to make payment on any claim that falls within a City selected per occurrence deductible. KLCIS provides coverage for losses exceeding the chosen deductible level and reinsures through commercial companies at various higher limits. In FY12, the City selected a \$10,000 deductible for General Liability, a \$100,000 deductible for Buildings and Contents Coverage, and a \$100,000 deductible for Law Enforcement Liability. Additionally, the City has chosen to self-insure a majority of its fleet for auto physical damage.

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.

Changes in the balances of claims liabilities during fiscal years 2012 and 2011 were as follows:

	<u>Health Care</u>	<u>Workers Compensation</u>	<u>Property and Casualty</u>
Liability at June 30, 2010	\$ 107,106	\$ 120,428	\$ -
Claims and changes in estimates - FY 2011	4,073,638	52,546	-
Claims paid FY 2011	<u>(4,052,072)</u>	<u>(52,546)</u>	-
Liability at June 30, 2011	128,672	120,428	-
Claims and changes in estimates FY 2012	3,835,935	301,952	30,438
Claims paid FY 2012	<u>(3,868,140)</u>	<u>(301,952)</u>	<u>(30,438)</u>
Liability at June 30, 2012	<u>\$ 96,467</u>	<u>\$ 120,428</u>	<u>\$ -</u>

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

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. 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, 2012 of \$4,355,095. 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 \$479,061 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.

C. Construction Commitments - The City has active construction projects as of June 30, 2012. At year end, the City had the following commitments on construction contracts:

Project	Remaining Commitment
Stormwater Improvement Program	\$ 314,825
800 Trunking Radio System improvement services	30,513
Planning and Zoning Roof replacement	56,730
Parker Bennett Center improvements	81,375
Sidewalk Improvement Program	116,445
Butler County Landfill improvement design services	163,658
Traffic Signal improvements	135,192
Street Resurfacing Project	641,685

D. 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 collectability of any related receivable at June 30, 2012 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.

E. 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.

F. 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.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

As of June 30, 2012, there were four series of industrial revenue bonds and six series of special assessment bonds outstanding with an aggregate principal balance of \$68,590,000 and \$1,468,000, respectively.

G. Lease Commitments - The Golf Enterprise Fund leases approximately 53 acres of real estate from the Bowling Green-Warren County Airport Board. This lease provides for future minimum lease payments as of June 30, 2012 as follows:

Year Ended	
2013	\$ 6,100

The Government has agreed to renew the lease through FY2018, however the amount of the future annual lease payments has not been determined.

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 is 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, 2012:

Year Ending June 30,	
2013	\$ 31,801
2014	30,597
2015	33,071
2016	31,670
2017	30,268
Thereafter	62,103
Total	<u>\$ 219,510</u>

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. 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 Departments. PFRF was established to provide retirement and disability benefits for retiring, disabled, or 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.

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The accrual basis of accounting is followed by the PFRF with reserve accounts maintained in accordance with legal and accounting requirements imposed by Kentucky Revised Statutes (KRS). Employer contributions to the fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The financial statements are presented in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board.

Investments – As required by GASB Statement No. 25, plan investments are presented at fair value, which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. Short-term investments are carried at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Other investments not having an established market are reported at estimated fair value. All fair values are determined by external consultants.

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, 2012.

The City contributes amounts to amortize the unfunded actuarial accrued liability (AAL) and interest on unfunded AAL 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. At June 30, 2012, 2011 and 2010, the Net Pension Obligation was estimated to be zero. For 2009-2010 the City made a contribution of \$410,000, which included a 3.0% cost of living increase and payment towards the unfunded liability. For 2010-2011 the City made a contribution of \$450,000, which included a 2.7% cost of living increase and payment towards the unfunded liability. For 2011-2012 the City made a contribution of \$400,000, which included a 2.5% cost of living increase and payment towards the unfunded liability.

C. Funded Status and Funding Progress

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)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
Assumes no Future Cost of Living Increase						
1/1/2012	\$ 7,202,376	\$ 8,810,728	\$ 1,608,352	81.75%	N/A	N/A
Assumes Future Cost-of-Living Increase of 3% per Year						
1/1/2012	\$ 7,202,376	\$ 11,005,995	\$ 3,803,619	65.44%	N/A	N/A

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

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

June 30, 2012

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

Valuation date	January 1, 2012
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 Market 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%
Total minimum City cost	\$140,223 (at 0%) or \$331,617 (at 3%) over 20 years

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. Any employee entering the program after September 1, 2008 is required to contribute an additional 1%. The rates for the year ended June 30, 2012 were 18.96% for non-hazardous and 35.76% for hazardous employees of the employee's total compensation subject to contribution.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

The contribution requirements for CERS for the years ended June 30, 2012, 2011 and 2010 were \$7,468,607, \$6,803,029, and \$6,740,743, respectively. These amounts consisted of \$6,021,529, \$5,396,617 and \$5,332,543 from the City and \$1,447,078, \$1,406,412 and \$1,408,200 from the employees, respectively.

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

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, 2012

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. The ICMA plan offers both a 457 option and a 457 Roth option.

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. The limits for the plan are up to \$17,000 per year for regular contributions and \$5,500 for catch-up contributions. The limits for the Roth plan are up to \$5,000 per year for regular contributions and \$1,000 for catch-up contributions. During the fiscal year ended June 30, 2012, employee contributions for both plans totaled \$353,561.

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. During the year ended June 30, 2009, the City also began offering a Roth 401(k) option. The Plans are administered by the Kentucky Public Employees Deferred Compensation Authority and are offered to all eligible City employees as a voluntary retirement supplement. Participating employees can defer a maximum of \$17,000 for regular contributions and \$5,500 for catch-up contributions for the 401(k) and \$5,000 for regular contributions and \$1,000 dollars for the Roth. Benefits are available upon termination of employment, retirement, death or for hardship withdrawal. Employee contributions for both plans totaled \$295,706 for the fiscal year ended June 30, 2012.

NOTE 8. SUBSEQUENT EVENTS

In connection with the construction and financing of a downtown real estate development (the "Warren County Development Project") by the County of Warren, Kentucky (the "County") and through the issuance of up to \$20,500,000 of the County's Variable Rate Taxable Industrial Building Revenue Bonds, Series 2012 (the "Series 2012 IRB Bonds"), the City entered into a Sublease Agreement dated as of August 1, 2012 (the "Sublease") with an unrelated real estate developer (the "Company"). Pursuant to the Sublease, the City has agreed to sublease the above-referenced facilities from the Company and to pay sublease payments (the "Sublease Payments") equal to the interest on the Series 2012 IRB Bonds and bond service charges on fixed rate bonds to be subsequently issued to retire the Series 2012 IRB Bonds and provide permanent financing for the Warren County Development Project (the "Refunding IRB Bonds"), to the extent the amounts required to be paid (i) by the Company under an Agreement of Lease dated as of August 1, 2012 (the "IRB Agreement") with the County and (ii) by the Warren County Downtown Economic Development Authority, Inc. (the "Authority") under a Pledge and Payment Agreement dated as of August 1, 2012 with the Company (the "Payment Agreement"), are not otherwise sufficient for such purpose. Following the initial term of the Sublease ending June 30, 2013, the Sublease will terminate unless renewed by the City. The Sublease renews automatically unless notice of its election not to renew for the succeeding fiscal year is given by the City to the Company and the County in writing at least one hundred twenty (120) days prior to the renewal date. In the Sublease, the City has stated and certified its intention to annually renew the Sublease and to adopt a budget for each renewal period that includes sufficient funds to pay the Sublease Payments. While financial projections prepared in connection with the initial issuance of the Series 2012 IRB Bonds forecast sufficient revenues will be provided under the IRB Agreement and Payment Agreement, no assurance can be given that such amounts will be sufficient at all times during the term the Series 2012 IRB Bonds or any Refunding IRB Bonds may be outstanding to pay debt service on all such Series 2012 IRB Bonds or any Refunding IRB Bonds, since a substantial portion of such projected payments are dependent on factors not within the direct control of the parties to the IRB Agreement and Payment Agreement. While the City does not presently anticipate any requirement to make Sublease Payments, the extent of any Sublease Payments that may be required in the future cannot be determined until such time as the other dedicated revenue streams begin to be realized and the Refunding IRB Bonds are issued.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes				
Real estate	\$ 7,379,000	\$ 7,379,000	\$ 7,303,603	\$ (75,397)
Personal property	1,500,000	1,500,000	1,410,952	(89,048)
Insurance premium	1,385,000	1,385,000	1,454,697	69,697
Motor vehicle and boat	740,000	740,000	776,366	36,366
Payment in lieu of taxes	200,000	200,000	201,603	1,603
Franchise	1,202,000	1,202,000	1,052,155	(149,845)
Penalites and Interest	94,000	94,000	93,524	(476)
Total taxes	<u>12,500,000</u>	<u>12,500,000</u>	<u>12,292,900</u>	<u>(207,100)</u>
Licenses and permits				
Occupational:				
Employees' withholding	29,376,000	29,401,000	30,936,196	1,535,196
Net profits	6,377,000	6,377,000	6,257,385	(119,615)
Other fees	224,000	224,000	253,679	29,679
Special licenses	252,000	252,000	241,200	(10,800)
Permits	542,500	542,500	730,997	188,497
Total licenses and permits	<u>36,771,500</u>	<u>36,796,500</u>	<u>38,419,457</u>	<u>1,622,957</u>
Intergovernmental				
Federal grants	38,500	103,841	68,448	(35,393)
State grants	-	38,576	35,500	(3,076)
Local grants	63,500	63,500	62,993	(507)
Total intergovernment	<u>102,000</u>	<u>205,917</u>	<u>166,941</u>	<u>(38,976)</u>
Charges for services				
School tax collection fees	170,000	170,000	181,369	11,369
Other general government fees	3,500	3,500	7,570	4,070
Public safety fees	47,500	47,500	55,594	8,094
Cemetery lot sales	102,500	102,500	86,013	(16,487)
Cemetery fees	146,500	146,500	151,042	4,542
Other	52,500	52,500	52,727	227
Total charges for services	<u>522,500</u>	<u>522,500</u>	<u>534,315</u>	<u>11,815</u>
Parks and recreation	366,000	366,000	352,727	(13,273)
Miscellaneous				
Interest income	148,000	148,000	160,285	12,285
ABC and parking violations fees	25,000	25,000	23,481	(1,519)
Contributions and donations	51,000	118,905	42,730	(76,175)
Judgements and settlements	35,000	37,100	73,638	36,538
Other	60,000	60,000	87,529	27,529
Total miscellaneous	<u>319,000</u>	<u>389,005</u>	<u>387,663</u>	<u>(1,342)</u>
Total revenues	<u>\$ 50,581,000</u>	<u>\$ 50,779,922</u>	<u>\$ 52,154,003</u>	<u>\$ 1,374,081</u>

CITY OF BOWLING GREEN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE - CONTINUED
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Legislative	\$ 151,531	\$ 153,906	\$ 144,520	\$ 9,386
Executive	895,658	954,122	848,965	105,157
Finance	1,349,945	1,343,216	1,336,726	6,490
Human resources	1,754,179	1,432,281	1,371,639	60,642
Law	290,715	363,336	327,394	35,942
Information technology	1,533,504	1,629,369	1,526,618	102,751
Administrative services	813,622	854,111	844,352	9,759
Total general government	6,789,154	6,730,341	6,400,214	330,127
Public safety				
Police	12,370,048	12,017,636	11,885,217	132,419
Fire	10,807,580	10,707,789	10,666,663	41,126
Total public safety	23,177,628	22,725,425	22,551,880	173,545
Public works				
Public works administration	1,224,076	1,546,111	1,278,078	268,033
Highway and streets	2,160,686	2,115,846	2,095,823	20,023
Building and plant	2,231,552	2,275,981	2,181,848	94,133
Transportation	279,645	279,645	259,770	19,875
Total public works	5,895,959	6,217,583	5,815,519	402,064
Parks and recreation				
Parks	1,710,114	1,726,391	1,701,676	24,715
Recreation	755,825	775,942	729,854	46,088
Athletics	996,280	1,110,704	628,683	482,021
Community centers	949,363	883,006	836,384	46,622
Other parks	1,438,156	1,400,832	1,350,657	50,175
Total parks and recreation	5,849,738	5,896,875	5,247,254	649,621
Housing and community development				
	1,616,819	1,581,768	1,478,359	103,409
Community services				
Community services	278,550	445,487	347,977	97,510
Intergovernmental	443,595	270,698	215,035	55,663
Total community services	722,145	716,185	563,012	153,173
Total Expenditures	44,051,443	43,868,177	42,056,238	1,811,939
Excess of revenues over expenditures	6,529,557	6,911,745	10,097,765	3,186,020
Other financing sources (uses):				
Transfers in	109,000	1,325,254	1,292,467	(32,787)
Transfers out	(8,470,934)	(13,264,847)	(10,820,621)	2,444,226
Proceeds from sale of capital assets	20,000	31,135	184,893	153,758
Total other financing sources (uses)	(8,341,934)	(11,908,458)	(9,343,261)	2,565,197
Net change in fund balances	(1,812,377)	(4,996,713)	754,504	5,751,217
Fund balances, beginning	17,732,514	17,732,514	17,732,514	-
Fund balances, ending	\$ 15,920,137	\$ 12,735,801	\$ 18,487,018	\$ 5,751,217

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON BUDGETARY ACCOUNTING AND CONTROL

FOR THE YEAR ENDED June 30, 2012

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 four Debt Service Funds 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 1st, the proposed budget is presented to the City Commission for review. The City Commission holds public hearings to obtain taxpayer comments. Prior to July 1st, 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 included within the appropriate fund balances in the governmental funds and are not reported separately on the financial statements. Encumbrances 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.

The following funds had purchase orders outstanding at June 30, 2012 as follows:

Fund		
General Fund	\$	448,036
Block Grant Fund		84,790
BG Transit Grant Fund		142,237
Municipal Aid Fund		936,694
Fire Improvement Fund		34,476
Landfill Closure Fund		163,658
Police Improvement Fund		4,192
Equipment Replacement Fund		6,289
Sidewalk Improvement Fund		49,898
Greensway Riverfront Fund		104,428
800 Trucking Radio Fund		30,513
Stormwater Improvement Fund		314,825
Convention Center Fund		20,924
Golf Fund		15,773
Aquatics Fund		3,308
Fleet Maintenance Fund		5,342
Workers Comp Fund		889
Property and Casualty Fund		2,400
Employee Health Care Internal Services Fund		30,350
	\$	2,399,022

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY
POLICE AND FIREMEN'S RETIREMENT FUND
For the Year Ended June 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
Assumes no Future Cost of Living Increase						
1/1/2012	\$7,202,376	\$ 8,810,728	\$ 1,608,352	81.70%	N/A	N/A
1/1/2011	7,471,464	8,891,254	1,419,790	84.00%	N/A	N/A
1/1/2010	7,425,235	9,419,690	1,994,455	78.83%	N/A	N/A
1/1/2009	7,234,104	9,603,005	2,368,901	75.33%	N/A	N/A
Assumes Future Cost-of-Living Increase of 3% per Year						
1/1/2012	\$7,202,376	\$ 11,005,995	\$ 3,803,619	65.40%	N/A	N/A
1/1/2011	7,471,464	11,174,666	3,703,202	66.90%	N/A	N/A
1/1/2010	7,425,235	11,877,751	4,452,516	62.51%	N/A	N/A
1/1/2009	7,234,104	12,188,342	4,954,238	59.35%	N/A	N/A

Schedule of Employer Contributions

Year Ended June 30	Annual Pension Cost	Amount Contributed
2001	\$ 48,781	\$ 48,781
2002	88,514	88,514
2003	108,000	108,000
2004	108,000	108,000
2005	209,000	209,000
2006	209,000	209,000
2007	328,000	328,000
2008	328,000	328,000
2009	384,000	384,000
2010	410,000	410,000
2011	450,000	450,000
2012	400,000	400,000

CITY OF BOWLING GREEN, KENTUCKY

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

For the Year Ended June 30, 2012

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. Street assessments are conducted annually, and all segments are assessed within a three year cycle. The most recent assessment was conducted in the Fall of 2009.

Upon completion of the assessment, an overall condition index (OCI) is calculated to assess individual pavement segments. Streets are rated on a 0 to 100 scale. An OCI of 100 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>OCI Rating</u>
Excellent	88.0 - 100.00
Good	76.0 - 87.99
Fair	64.0 - 75.99
Poor	50.0 - 63.99
Bad	0.0 - 49.99

CITY OF BOWLING GREEN, KENTUCKY

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS - CONTINUED

For the Year Ended June 30, 2012

Established Condition Level

The City's policy is to consider streets in need when the OCI rating falls below minimum values. These values are as follows:

<u>Functional Classification</u>	<u>Minimum OCI</u>
Local	67.0
Collector	69.0
Arterial	72.0

Segments considered to be in need are quantitatively prioritized for rehabilitation based on OCI, traffic, functional class and other factors.

Assessed Conditions

The following table reports the percentage of streets meeting the minimum acceptable conditions or above:

<u>Year</u>	<u>Percentage</u>
2012	97%
2011	95%
2010	94%
2009	90%
2008	90%
2007	85%
2006	85%

Budgeted and Estimated Costs to Maintain

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

<u>Fiscal Year</u>	<u>Estimated Spending</u>	<u>Actual Spending</u>
2012-2013	\$850	\$
2011-2012	\$850	\$1,090
2010-2011	\$811	\$431
2009-2010	\$850	\$810
2008-2009	\$915	\$915
2007-2008	\$842	\$835
2006-2007	\$1,192	\$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 five 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.

CITY OF BOWLING GREEN, KENTUCKY

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS - CONTINUED

For the Year Ended June 30, 2012

Sidewalks

The City utilizes a computerized sidewalk management system. Condition assessments are visually performed on all sidewalks segments, ratings are based on the presence of cracking, heaving, holes, settling and spalling. These assessments were conducted on the entire sidewalk network on a three year cycle. The most recent assessment was completed in the Spring of 2010.

Upon completion of the assessment, an overall condition index (OCI) is calculated to assess individual pavement segments. Segments are rated on a 0 to 100 scale. An OCI of 100 would correspond to a sidewalk with proper engineering design and construction at the beginning of its life cycle.

The following overall condition index for sidewalks has been defined as follows:

<u>Condition</u>	<u>OCI Rating</u>
Excellent	88.0 - 100.00
Good	76.0 - 87.99
Fair	64.0 - 75.99
Poor	50.0 - 63.99
Bad	0.0 - 49.99

Established Condition Level (*same as streets with new software*)

The City's policy is to achieve a rating of 76.0 for all sidewalks, which is a good rating. This rating allows minor cracking and raveling of the sidewalk along with minor roughness that could be noticeable to pedestrians.

Assessed Conditions

The sidewalk management system indicates that 92% of city maintained sidewalks had an OCI value greater than or equal to the minimum rating of 76.0 as of June 30, 2012.

Budgeted and Estimated Costs to Maintain

The following table presents the City's estimate of spending necessary to preserve and maintain the Sidewalk 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
2012-2013	\$100	\$
2011-2012	\$100	\$41
2010-2011	\$100	\$ 133
2009-2010	\$100	\$0
2008-2009	\$100	\$100
2007-2008	\$100	\$60
2006-2007	\$100	\$5
2005-2006	\$100	\$113

The budgeting process utilized by the City results in spending in one fiscal year from amounts that were budgeted in a previous fiscal year(s). Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year.

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 premium license fees.

Municipal Aid Funds

These funds are 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.

Job Development 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.

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.

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.

Police Improvement Fund

This fund is used to account for revenue received from citations. The citations revenue will be collected and appropriated for capital expenditures for the Police Department.

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.

Homeland Security Fund

This fund is used to account for expenditures funded indirectly through the U.S. Department of Homeland Security. The City of Bowling Green acts as the lead agency for regional projects to purchase mobile data terminals and associated hardware and software for seventeen agencies.

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 and the construction of the Kummer Little Recreation Center. More recently this fund has been utilized to account for the acquisition and demolition of Parks properties. Financing for the projects has been included in the issuance of the City of Bowling Green, Kentucky General Obligation Bonds, Series 2007 and the General Fund.

Riverfront Development Fund

This fund was previously utilized to account for the revenues and expenditures in the development of a riverfront park between College and State Streets adjacent to the Barren River. This fund currently provides funds and expenditures for the construction of greenway trails throughout the City.

Equipment Replacement Fund

This fund is used to account for the short-term financing of general government capital outlays for vehicles and equipment. Financing for this fund is provided by the General Fund.

Road Construction Fund

This fund was previously used to account for costs associated with the purchase of land and construction of three road projects, Bale Boulevard, Turner Court, and Houston Court. This fund currently tracks expenditures related to the Smallhouse/Cavemil Road intersection realignment project. Funding for the new projects has been made available through the General Fund.

Old Morgantown Road Rehab Fund

This fund is used to account for the costs of the rehabilitation of Old Morgantown Road. Funding has been made available through General Fund subsidies and funds from the General Obligation Bonds, Series 2007, redirected from the Shive Lane Development Project.

Heritage Trail Construction Fund

This fund is used to account for the revenue and expenditures associated with the construction of the Heritage Trail. The trail will ultimately run from Fountain Square Park to Riverfront Park. Funding has been provided by donations and subsidies from the General Fund and the Renaissance Alliance Fund.

Sidewalk Improvement Fund

This fund is used to account for costs associated with the improvement of existing and construction of new sidewalks throughout the City. Funding has been made available through subsidies from the General Fund and the Coal Mineral Tax Fund.

Storm Drainage Improvement Fund

This fund tracks expenditures related to the improvement of existing storm drainage pipes located throughout the City of Bowling Green. Funding has been provided through a General Fund subsidy.

Municipal Facilities Fund

This fund is used to monitor costs associated with the study and renovation of City buildings. Funding for this project has been made available from General Fund subsidies.

Airport Fire Station Renovation Fund

The Airport Fire Station Renovation Funds is utilized to monitor construction and professional service expenditures related to the renovation of the fire station. Funding has been provided through the 2008B General Obligation Bond Issue.

Technology Capital Improvement Fund

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

800 Trucking Radio Systems Improvement Fund

This fund will be used to track revenues and expenditures associated with the replacement and improvement of the existing 800 Trucking Radio System. Funding has currently been provided from the General Fund and other local governmental agencies, such as Warren County.

Hennessey Way Construction Fund

The Hennessey Way Construction Fund will account for costs related to the Hennessey Way construction project. The project will be funded by the General Fund.

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

TIF District

This fund is used to account for debt service payments for the General Bond Obligation, Series 2008A. The bond issue provided funding for the construction of Bowling Green's Single A baseball park.

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, 2012

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund - TIF District	Nonmajor Permanent Fund - Cemetery Perpetual	Total Nonmajor Governmental Funds
ASSETS					
Pooled cash and cash equivalents	\$ 3,689,591	\$ 6,109,374	\$ 2,367,632	\$ 66,950	\$ 12,233,547
Non-pooled cash and cash equivalents	1,534,762	-	-	-	1,534,762
Investments	3,969,128	-	-	-	3,969,128
Receivables (net of allowances for uncollectibles):					
Accounts	18,346	38,850	-	-	57,196
Loans	199,467	-	-	-	199,467
Interest	13,240	-	-	-	13,240
Due from other governmental units	276,695	20,083	-	-	296,778
Due to other funds	(300,000)	-	-	-	(300,000)
Restricted assets:					
Non-pooled cash and cash equivalents	-	-	-	758,600	758,600
Total assets	\$ 9,401,229	\$ 6,168,307	\$ 2,367,632	\$ 825,550	\$ 18,762,718
LIABILITIES AND FUND BALANCES					
Liabilities					
Vouchers and accounts payable	\$ 639,471	\$ 115,373	\$ -	\$ -	\$ 754,844
Accrued payroll	17,848	-	-	-	17,848
Deferred revenue	199,467	-	-	-	199,467
Total liabilities	856,786	115,373	-	-	972,159
Fund Balances					
Assigned	-	5,928,987	2,367,632	66,950	8,363,569
Committed	3,875,464	-	-	-	3,875,464
Restricted	4,668,979	123,947	-	758,600	5,551,526
Total fund balances	8,544,443	6,052,934	2,367,632	825,550	17,790,559
Total liabilities and fund balances	\$ 9,401,229	\$ 6,168,307	\$ 2,367,632	\$ 825,550	\$ 18,762,718

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	Community Development	Fire Improvement	Municipal Aid	Job Development	Parks Development	Landfill Closure
ASSETS						
Pooled cash and cash equivalents	\$ -	\$ 60,235	\$ 2,744,222	122,001	\$ -	\$ 316,506
Non-pooled cash and cash equivalents	1,429,841	104,921	-	-	-	-
Investments	-	1,235,319	1,252,371	350,004	-	1,131,434
Receivables (net of allowances for uncollectibles)						
Accounts	18,346	-	-	-	-	-
Loans	199,467	-	-	-	-	-
Interest	-	12,486	49	705	-	-
Due to other funds	-	(300,000)	-	-	-	-
Due from other governmental units	139,135	-	116,679	-	-	-
	<u>1,786,789</u>	<u>-</u>	<u>116,679</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,786,789</u>	<u>\$ 1,112,961</u>	<u>\$ 4,113,321</u>	<u>\$ 472,710</u>	<u>\$ -</u>	<u>\$ 1,447,940</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Vouchers and accounts payable	\$ 130,644	\$ 29,637	\$ 477,096	\$ -	\$ -	\$ -
Accrued payroll	11,356	-	6,492	-	-	-
Deferred revenue	199,467	-	-	-	-	-
	<u>341,467</u>	<u>29,637</u>	<u>483,588</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>341,467</u>	<u>29,637</u>	<u>483,588</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Assigned	-	-	-	-	-	-
Committed	535,818	1,070,448	89,608	472,710	-	1,447,940
Restricted	909,504	12,876	3,540,125	-	-	-
	<u>1,445,322</u>	<u>1,083,324</u>	<u>3,629,733</u>	<u>472,710</u>	<u>-</u>	<u>1,447,940</u>
Total fund balances	<u>1,445,322</u>	<u>1,083,324</u>	<u>3,629,733</u>	<u>472,710</u>	<u>-</u>	<u>1,447,940</u>
Total liabilities and fund balances	<u>\$ 1,786,789</u>	<u>\$ 1,112,961</u>	<u>\$ 4,113,321</u>	<u>\$ 472,710</u>	<u>\$ -</u>	<u>\$ 1,447,940</u>

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	Local Law Enforcement Block Grant	Trunking Operation	Police Improvement	Lampkin Park Trust	Homeland Security	Total Nonmajor Special Revenue Funds
ASSETS						
Pooled cash and cash equivalents	\$ 56,712	\$ 109,057	\$ 240,153	\$ 40,705	\$ -	\$ 3,689,591
Non-pooled cash and cash equivalents	-	-	-	-	-	1,534,762
Investments	-	-	-	-	-	3,969,128
Receivables (net of allowances for uncollectibles)						
Accounts	-	-	-	-	-	18,346
Loans	-	-	-	-	-	199,467
Interest	-	-	-	-	-	13,240
Due to other funds	-	-	-	-	-	(300,000)
Due from other governmental units	-	-	20,881	-	-	276,695
Total assets	\$ 56,712	\$ 109,057	\$ 261,034	\$ 40,705	\$ -	\$ 9,401,229
LIABILITIES AND FUND BALANCES						
Liabilities						
Vouchers and accounts payable	\$ -	\$ -	\$ 2,094	\$ -	\$ -	\$ 639,471
Accrued payroll	-	-	-	-	-	17,848
Deferred revenue	-	-	-	-	-	199,467
Total liabilities	-	-	2,094	-	-	856,786
Fund Balances						
Assigned	-	-	-	-	-	-
Committed	-	-	258,940	-	-	3,875,464
Restricted	56,712	109,057	-	40,705	-	4,668,979
Total fund balances	56,712	109,057	258,940	40,705	-	8,544,443
Total liabilities and fund balances	\$ 56,712	\$ 109,057	\$ 261,034	\$ 40,705	\$ -	\$ 9,401,229

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 June 30, 2012

	Parks Community Center	Riverfront Development	Equipment Replacement	Road Construction	Hennessey Way Construction	Old Morgantown Road Rehab
ASSETS						
Pooled cash and cash equivalents	-	\$ 196,030	\$ 790,454	\$ 500,000	\$ 12,000	\$ -
Due from other governmental units	-	20,083	-	-	-	-
Receivables (net of allowances for uncollectibles)						
Accounts	-	-	-	-	-	-
Total assets	\$ -	\$ 216,113	\$ 790,454	\$ 500,000	\$ 12,000	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities						
Vouchers and accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-
Fund Balances						
Assigned	-	208,834	790,454	500,000	12,000	-
Restricted	-	7,279	-	-	-	-
Total fund balances	-	216,113	790,454	500,000	12,000	-
Total liabilities and fund balances	\$ -	\$ 216,113	\$ 790,454	\$ 500,000	\$ 12,000	\$ -

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 June 30, 2012

	Heritage Trail Construction	Sidewalk Improvement	Stormwater Infrastructure Improvement	Municipal Facilities	Airport Fire Expansion	Technology Capital Improvement	800 Trunking Radio Systems Improvements	Total Nonmajor Capital Project Funds
ASSETS								
Pooled cash and cash equivalents	\$ 196,702	\$ 718,806	\$ 537,930	\$ 401,812	-	879,233	1,876,407	\$ 6,109,374
Due from other governmental units	-	-	-	-	-	-	-	20,083
Receivables (net of allowances for uncollectibles)								
Accounts	-	-	-	-	-	-	38,850	38,850
Total assets	\$ 196,702	\$ 718,806	\$ 537,930	\$ 401,812	\$ -	\$ 879,233	\$ 1,915,257	\$ 6,168,307
LIABILITIES AND FUND BALANCES								
Liabilities								
Vouchers and accounts payable	\$ -	\$ 3,168	88,612	\$ -	\$ -	-	23,593	\$ 115,373
Total liabilities	-	3,168	88,612	-	-	-	23,593	115,373
Fund Balances								
Assigned	80,034	715,638	449,318	401,812	-	879,233	1,891,664	5,928,987
Restricted	116,668	-	-	-	-	-	-	123,947
Total fund balances	196,702	715,638	449,318	401,812	-	879,233	1,891,664	6,052,934
Total liabilities and fund balances	\$ 196,702	\$ 718,806	\$ 537,930	\$ 401,812	\$ -	\$ 879,233	\$ 1,915,257	\$ 6,168,307

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund - TIF District	Nonmajor Permanent Fund - Cemetery Perpetual	Total Nonmajor Governmental Funds
REVENUES					
Property taxes	\$ 394,958	\$ -	\$ -	\$ -	\$ 394,958
Insurance premium taxes	1,676,729	-	-	-	1,676,729
Wages and net profits taxes	2,297,368	-	-	-	2,297,368
Judgements and settlements	16,698	3,363	-	-	20,061
Intergovernmental	7,683,331	118,044	-	-	7,801,375
Investment income	78,901	2,156	-	11,541	92,598
Charges for services	82,874	-	-	-	82,874
Contributions and donations	14,966	80,017	-	-	94,983
Miscellaneous	314,450	-	-	21,412	335,862
Total Revenues	12,560,275	203,580	-	32,953	12,796,808
EXPENDITURES					
Current:					
General government	-	16,386	-	-	16,386
Public safety	1,873,814	47,186	-	-	1,921,000
Public works	2,048,017	16,371	-	-	2,064,388
Parks and recreation	-	51,433	-	-	51,433
Housing and community development	4,184,635	93,572	-	-	4,278,207
Capital Outlay	235,140	2,256,662	-	-	2,491,802
Debt service:					
Principal	-	-	475,000	-	475,000
Interest	-	-	1,139,213	-	1,139,213
Total Expenditures	8,341,606	2,481,610	1,614,213	-	12,437,429
Excess (deficiency) of revenues over (under) expenditures	4,218,669	(2,278,030)	(1,614,213)	32,953	359,379
Other financing sources (uses):					
Transfers in	189,042	4,000,000	1,614,500	-	5,803,542
Transfers out	(4,525,321)	(1,106,072)	-	-	(5,631,393)
Total other financing sources (uses)	(4,336,279)	2,893,928	1,614,500	-	172,149
Net change in fund balances	(117,610)	615,898	287	32,953	531,528
Fund balances, beginning	8,662,053	5,437,036	2,367,345	792,597	17,259,031
Fund balances, ending	\$ 8,544,443	\$ 6,052,934	\$ 2,367,632	\$ 825,550	\$ 17,790,559

See accompanying independent auditor's report

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, 2012

	<u>Community Development</u>	<u>Fire Improvement</u>	<u>Municipal Aid</u>	<u>Job Development</u>	<u>Parks Development</u>	<u>Landfill Closure</u>	<u>Local Law Enforcement Block Grant</u>	<u>Trunking Operation</u>
REVENUES								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 394,958	\$ -	\$ -	\$ -
Insurance premium taxes	-	1,676,729	-	-	-	-	-	-
Wages and net profits taxes	-	-	-	1,120,007	1,177,361	-	-	-
Judgments and settlements	-	16,698	-	-	-	-	-	-
Intergovernmental	4,101,116	21,842	3,450,802	-	-	-	32,178	25,000
Investment income	1,522	12,471	21,050	2,415	-	41,443	-	-
Charges for services	-	-	-	-	-	-	-	-
Contributions and donations	-	-	-	-	-	3,625	-	6,850
Miscellaneous	200,184	-	63,309	-	-	-	-	-
Total Revenues	4,302,822	1,727,740	3,535,161	1,122,422	1,572,319	45,068	32,178	31,850
EXPENDITURES								
Current:								
Public safety	-	411,292	1,295,749	-	-	-	37,608	-
Public works	-	-	1,993,260	-	-	16,033	-	38,724
Neighborhood and community services	4,184,635	-	-	-	-	-	-	-
Capital outlay	-	65,561	37,744	-	-	-	5,697	2,438
Total Expenditures	4,184,635	476,853	3,326,753	-	-	16,033	43,305	41,162
Excess (deficiency) of revenues over (under) expenditures	118,187	1,250,887	208,408	1,122,422	1,572,319	29,035	(11,127)	(9,312)
Other financing sources (uses):								
Transfers in	138,215	14,728	11,099	-	-	-	-	25,000
Transfers out	(260,337)	(1,470,640)	-	(1,216,137)	(1,578,207)	-	-	-
Proceeds from capital lease obligation	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(122,122)	(1,455,912)	11,099	(1,216,137)	(1,578,207)	-	-	25,000
Net change in fund balances	(3,935)	(205,025)	219,507	(93,715)	(5,888)	29,035	(11,127)	15,688
Fund balances, beginning	1,449,257	1,288,349	3,410,226	566,425	5,888	1,418,905	67,839	93,369
Fund balances, ending	\$ 1,445,322	\$ 1,083,324	\$ 3,629,733	\$ 472,710	\$ -	\$ 1,447,940	\$ 56,712	\$ 109,057

See accompanying independent auditor's report

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, 2012

	Police Improvement	Lampkin Park	Homeland Security	Total Special Revenue Funds
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 394,958
Insurance premium taxes	-	-	-	1,676,729
Wages and net profits taxes	-	-	-	2,297,368
Judgments and settlements	-	-	-	16,698
Intergovernmental	-	-	52,393	7,683,331
Investment income	-	-	-	78,901
Charges for services	82,874	-	-	82,874
Contributions and donations	-	4,491	-	14,966
Miscellaneous	50,957	-	-	314,450
Total Revenues	133,831	4,491	52,393	12,560,275
EXPENDITURES				
Current:				
Public safety	76,772	-	52,393	1,873,814
Public works	-	-	-	2,048,017
Neighborhood and community services	-	-	-	4,184,635
Capital outlay	123,700	-	-	235,140
Total Expenditures	200,472	-	52,393	8,341,606
Excess (deficiency) of revenues over (under) expenditures	(66,641)	4,491	-	4,218,669
Other financing sources (uses):				
Transfers in	-	-	-	189,042
Transfers out	-	-	-	(4,525,321)
Proceeds from capital lease obligation	-	-	-	-
Total other financing sources (uses)	-	-	-	(4,336,279)
Net change in fund balances	(66,641)	4,491	-	(117,610)
Fund balances, beginning	325,581	36,214	-	8,662,053
Fund balances, ending	\$ 258,940	\$ 40,705	\$ -	\$ 8,544,443

See accompanying independent auditor's report

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, 2012

	Parks Community Center	Riverfront Development	Equipment Replacement	Road Construction	Hennessey Way Construction	Old Morgantown Rd Rehab
REVENUES						
Intergovernmental	\$ -	\$ 118,044	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	-	-	-	2,156
Contributions and donations	-	-	-	-	12,000	-
Judgetments and settlements	-	-	-	-	-	-
Total Revenues	-	118,044	-	-	12,000	2,156
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	51,433	-	-	-	-	-
Neighborhood and community services	-	93,572	-	-	-	-
Capital outlay	-	24,472	28,940	-	-	953,735
Total Expenditures	51,433	118,044	28,940	-	-	953,735
Excess (deficiency) of revenues over (under) expenditures	(51,433)	-	(28,940)	-	12,000	(951,579)
Other financing sources (uses):						
Transfers in	-	-	600,000	500,000	-	-
Transfers out	-	-	-	-	-	(1,091,344)
Total other financing sources (uses)	-	-	600,000	500,000	-	(1,091,344)
Net change in fund balances	(51,433)	-	571,060	500,000	12,000	(2,042,923)
Fund balances, beginning	51,433	216,113	219,394	-	-	2,042,923
Fund balances, ending	\$ -	\$ 216,113	\$ 790,454	\$ 500,000	\$ 12,000	\$ -

See accompanying independent auditor's report

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, 2012

	Heritage Trail Construction	Sidewalk Improvement	Stormwater Infrastructure Improvement	Municipal Facilities	Airport Fire Expansion	Technology Capital Improvement	800 Trunking Radio Systems Improvements	Total Nonmajor Capital Project Funds
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,044
Investment income	-	-	-	-	-	-	-	2,156
Contributions and donations	29,167	-	-	-	-	-	38,850	80,017
Judgments and settlements	-	-	-	-	-	3,363	-	3,363
Total Revenues	29,167	-	-	-	-	3,363	38,850	203,580
EXPENDITURES								
Current:								
General Government	-	-	-	-	-	16,386	-	16,386
Public safety	-	-	-	-	-	-	47,186	47,186
Public works	-	14,448	1,923	-	-	-	-	16,371
Parks and recreation	-	-	-	-	-	-	-	51,433
Neighborhood and community services	-	-	-	-	-	-	-	93,572
Capital outlay	-	65,408	630,926	60,438	-	492,743	-	2,256,662
Total Expenditures	-	79,856	632,849	60,438	-	509,129	47,186	2,481,610
Excess (deficiency) of revenues over (under) expenditures	29,167	(79,856)	(632,849)	(60,438)	-	(505,766)	(8,336)	(2,278,030)
Other financing sources (uses):								
Transfers in	-	400,000	500,000	-	-	700,000	1,300,000	4,000,000
Transfers out	-	-	-	-	(14,728)	-	-	(1,106,072)
Total other financing sources (uses)	-	400,000	500,000	-	(14,728)	700,000	1,300,000	2,893,928
Net change in fund balances	29,167	320,144	(132,849)	(60,438)	(14,728)	194,234	1,291,664	615,898
Fund balances, beginning	167,535	395,494	582,167	462,250	14,728	684,999	600,000	5,437,036
Fund balances, ending	\$ 196,702	\$ 715,638	\$ 449,318	\$ 401,812	\$ -	\$ 879,233	\$ 1,891,664	\$ 6,052,934

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Principal	\$ 3,282,615	\$ 3,457,331	\$ 3,456,770	\$ 561
Interest and fiscal charges	1,953,645	1,835,126	1,832,997	2,129
Total expenditures	5,236,260	5,292,457	5,289,767	2,690
Excess (deficiency) of revenues over (under) expenditures	(5,236,260)	(5,292,457)	(5,289,767)	2,690
Other financing sources (uses):				
Proceeds from bond refunding	-	7,730,000	7,409,463	(320,537)
Premium from bond refunding	-	-	319,639	319,639
Payment to refunded debt escrow agent	-	(7,809,803)	(7,718,497)	91,306
Transfers in	5,236,260	5,372,260	5,289,767	(82,493)
Total other financing sources	5,236,260	5,292,457	5,300,372	7,915
Net change in fund balances	-	-	10,605	10,605
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ 10,605	\$ 10,605

CITY OF BOWLING GREEN, KENTUCKY
BUDGET COMPARISON SCHEDULE
WKU ATHLETICS DEBT SERVICE FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,314,570	\$ 2,314,570	\$ 2,314,571	\$ 1
Investment Income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	2,314,570	2,314,570	2,314,571	1
EXPENDITURES				
Debt Service				
Principal	1,290,000	1,290,000	1,290,000	-
Interest	1,024,570	1,024,570	1,024,571	(1)
Total expenditures	2,314,570	2,314,570	2,314,571	(1)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -

CITY OF BOWLING GREEN, KENTUCKY
BUDGET COMPARISON SCHEDULE
ITA BOND DEBT SERVICE FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Rent Income	\$ 1,336,130	\$ 1,336,130	1,418,056	\$ 81,926
Investment income	-	-	456,213	456,213
Contributions and donations	-	-	-	-
Total revenues	1,336,130	1,336,130	1,874,269	538,139
EXPENDITURES				
Professional services	-	63,000	62,086	914
Debt Service:				
Principal	2,170,000	2,170,000	2,170,000	-
Interest	1,636,205	1,636,205	1,636,203	2
Total expenditures	3,806,205	3,869,205	3,868,289	916
Excess (deficiency) of revenues over (under) expenditures	(2,470,075)	(2,533,075)	(1,994,020)	539,055
Other financing sources (uses):				
Transfers In	1,336,130	1,336,130	1,336,130	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	1,336,130	1,336,130	1,336,130	-
Net change in fund balances	(1,133,945)	(1,196,945)	(657,890)	539,055
Fund balances, beginning	14,347,224	14,347,224	14,347,224	-
Fund balances, ending	<u>\$ 13,213,279</u>	<u>\$ 13,150,279</u>	<u>\$ 13,689,334</u>	<u>\$ 539,055</u>

See accompanying independent auditor's report

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.

Property and Casualty Fund

This fund is used to account for the accumulation of resources for the purpose of funding property and casualty costs of the City.

CITY OF BOWLING GREEN, KENTUCKY
COMBINING STATEMENT OF NET ASSETS – INTERNAL SERVICE FUNDS
 June 30, 2012

	Fleet Maintenance	Employee Health Care	Workers Compensation	Properly and Casualty	Total
ASSETS					
Current assets					
Pooled cash and cash equivalents	\$ 480,014	\$ 833,488	\$ 203,766	\$ 995,647	\$ 2,512,915
Investments	-	3,849,978	1,427,594	-	5,277,572
Accounts receivable	948	7,349	-	-	8,297
Interest receivable	-	15,294	111	-	15,405
Inventories	175,875	-	-	-	175,875
Prepaid items	-	323,000	-	-	323,000
Total current assets	<u>656,837</u>	<u>5,029,109</u>	<u>1,631,471</u>	<u>995,647</u>	<u>8,313,064</u>
Noncurrent assets					
Capital assets					
Building	200,986	-	-	-	200,986
Machinery and equipment	241,082	-	40,345	-	281,427
	<u>442,068</u>	<u>-</u>	<u>40,345</u>	<u>-</u>	<u>482,413</u>
Less accumulated depreciation	(303,925)	-	(35,046)	-	(338,971)
Total capital assets, net of accumulated depreciation	<u>138,143</u>	<u>-</u>	<u>5,299</u>	<u>-</u>	<u>143,442</u>
Total noncurrent assets	<u>138,143</u>	<u>-</u>	<u>5,299</u>	<u>-</u>	<u>143,442</u>
Total assets	<u>\$ 794,980</u>	<u>\$ 5,029,109</u>	<u>\$ 1,636,770</u>	<u>\$ 995,647</u>	<u>\$ 8,456,506</u>
LIABILITIES					
Current liabilities					
Vouchers and accounts payable	\$ 64,101	\$ 52,540	\$ 16,526	\$ 3,693	\$ 136,860
Accrued payroll	20,788	-	1,317	-	22,105
Insurance claims payable	-	96,467	120,428	-	216,895
Current portion of compensated absences payable	12,081	-	-	-	12,081
Total current liabilities	<u>96,970</u>	<u>149,007</u>	<u>138,271</u>	<u>3,693</u>	<u>387,941</u>
Noncurrent liabilities					
Compensated absences payable, net of current portion	3,860	-	-	-	3,860
Total liabilities	<u>100,830</u>	<u>149,007</u>	<u>138,271</u>	<u>3,693</u>	<u>391,801</u>
NET ASSETS					
Invested in capital assets, net of related debt	138,143	-	5,299	-	143,442
Unrestricted	556,007	4,880,102	1,493,200	991,954	7,921,263
Total net assets	<u>\$ 694,150</u>	<u>\$ 4,880,102</u>	<u>\$ 1,498,499</u>	<u>\$ 991,954</u>	<u>\$ 8,064,705</u>

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY

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

For the Year Ended June 30, 2012

	Fleet Maintenance	Employee Health Care	Workers Compensation	Property and Casualty	Total
OPERATING REVENUES					
Charges for services	\$ 1,588,761	\$ -	\$ -	\$ -	\$ 1,588,761
Insurance premiums	-	4,275,870	580,315	24,985	4,881,170
Judgments and settlements	1,385	-	-	3,294	4,679
Contributions and donations	-	-	6,000	-	6,000
Miscellaneous	2,959	372	-	-	3,331
	<u>1,593,105</u>	<u>4,276,242</u>	<u>586,315</u>	<u>28,279</u>	<u>6,483,941</u>
Total operating revenues					
OPERATING EXPENSES					
Personnel services	479,854	-	32,884	-	512,738
Contractual services	1,020	348,496	52,834	-	402,350
Supplies	1,113,066	9,937	806	4,300	1,128,109
Utilities	27,992	-	-	-	27,992
Repairs and maintenance	116,509	-	18,321	-	134,830
Insurance premiums and claims	-	3,835,935	301,952	30,438	4,168,325
Depreciation	12,908	-	3,226	-	16,134
Miscellaneous	7,486	-	-	-	7,486
	<u>1,758,835</u>	<u>4,194,368</u>	<u>410,023</u>	<u>34,738</u>	<u>6,397,964</u>
Total operating expenses					
Operating income (loss)	(165,730)	81,874	176,292	(6,459)	85,977
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	78,658	20,777	-	99,435
	<u>-</u>	<u>78,658</u>	<u>20,777</u>	<u>-</u>	<u>99,435</u>
Total nonoperating revenues					
Income (loss) before transfers	(165,730)	160,532	197,069	(6,459)	185,412
Transfer in	14,000	-	-	998,413	1,012,413
Transfers out	-	-	(829,000)	-	(829,000)
	<u>(151,730)</u>	<u>160,532</u>	<u>(631,931)</u>	<u>991,954</u>	<u>368,825</u>
Change in net assets					
Net assets, beginning	845,880	4,719,570	2,130,430	-	7,695,880
Net assets, ending	<u>\$ 694,150</u>	<u>\$ 4,880,102</u>	<u>\$ 1,498,499</u>	<u>\$ 991,954</u>	<u>\$ 8,064,705</u>

See accompanying independent auditor's report

CITY OF BOWLING GREEN, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2012

	Fleet Maintenance	Employee Health Care	Workers Compensation	Property and Casualty	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,592,157	\$ 4,288,791	\$ 586,315	\$ 28,279	\$ 6,495,542
Payments to employees	(465,254)	-	(32,569)	-	(497,823)
Payments to suppliers	(1,255,243)	(376,853)	(67,848)	(607)	(1,700,551)
Insurance premiums and claims paid	-	(3,868,140)	(301,952)	(30,438)	(4,200,530)
Net cash provided by (used in) operating activities	(128,340)	43,798	183,946	(2,766)	96,638
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in (out)	14,000	-	(829,000)	998,413	183,413
Net cash (used in) provided by noncapital financing activities	14,000	-	(829,000)	998,413	183,413
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	-	65,036	20,777	-	85,813
Purchase of Investments	-	(30,800)	5,013	-	(25,787)
Net cash provided by (used in) investing activities	-	34,236	25,790	-	60,026
Net increase (decrease) in cash and cash equivalents	(114,340)	78,034	(619,264)	995,647	340,077
Cash and cash equivalents, beginning of year	594,354	755,454	823,030	-	2,172,838
Cash and cash equivalents, end of year	\$ 480,014	\$ 833,488	\$ 203,766	\$ 995,647	\$ 2,512,915
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ (165,730)	\$ 81,874	\$ 176,292	\$ (6,459)	\$ 85,977
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	12,908	-	3,226	-	16,134
Change in assets and liabilities					
Accounts receivable	(948)	12,549	-	-	11,601
Inventories	15,995	-	-	-	15,995
Prepaid items	-	-	-	-	-
Accounts payable	(5,165)	(18,420)	4,113	3,693	(15,779)
Compensated absences	4,698	-	-	-	4,698
Accrued payroll	9,902	-	315	-	10,217
Insurance claims payable	-	(32,205)	-	-	(32,205)
Net cash provided by (used in) operating activities	\$ (128,340)	\$ 43,798	\$ 183,946	\$ (2,766)	\$ 96,638

See accompanying independent auditor's report

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 4% hotel, motel transient room tax and payment to the Bowling Green Area Convention and Visitors Bureau and the Convention Center Corporation.

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 other outside agencies.

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, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
CLAIMS FUND				
Assets				
Non-pooled cash and cash equivalents	\$ 150,000	\$ 98,454,525	\$ 96,974,670	\$ 1,629,855
Liabilities				
Other liabilities	\$ 150,000	\$ 98,454,525	\$ 96,974,670	\$ 1,629,855
PAYROLL FUND				
Assets				
Non-pooled cash and cash equivalents	\$ 25,000	\$ 33,937,215	\$ 33,939,802	\$ 22,413
Liabilities				
Other liabilities	\$ 25,000	\$ 33,937,215	\$ 33,939,802	\$ 22,413
TOURIST & CONVENTION FUND				
Assets				
Pooled cash and cash equivalents	\$ -	\$ 1,368,404	\$ 1,368,404	\$ -
Liabilities				
Due to Tourist Commission	\$ -	\$ 1,026,303	\$ 1,026,303	\$ -
Due to Convention Center Corp.	-	342,101	342,101	-
Total liabilities	\$ -	\$ 1,368,404	\$ 1,368,404	\$ -
TAX DISTRIBUTION FUND				
Assets				
Pooled cash and cash equivalents	\$ -	\$ 18,934,525	\$ 18,934,525	\$ -
Liabilities				
Due to other funds	\$ -	\$ 9,246,233	\$ 9,246,233	\$ -
Due to other taxing units - School Board	-	9,038,997	9,038,997	-
Other liabilities	-	649,295	649,295	-
Total liabilities	\$ -	\$ 18,934,525	\$ 18,934,525	\$ -

CITY OF BOWLING GREEN, KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
TREASURER'S DISTRIBUTION FUND				
Assets				
Pooled cash and cash equivalents	\$ 112,918	\$ 221,318	\$ 224,521	\$ 109,715
Liabilities				
Due to other governmental units	\$ 112,918	\$ 221,318	\$ 224,521	\$ 109,715
SPECIAL EMPLOYEE/EXPLORER FUND				
Assets				
Pooled cash and equivalents	\$ -	\$ -	\$ -	\$ -
Liabilities				
Due to employees	\$ -	\$ -	\$ -	\$ -
TOTALS - ALL AGENCY FUNDS				
Assets				
Pooled cash and cash equivalents	\$ 112,918	\$ 20,524,247	\$ 20,527,450	\$ 109,715
Non-pooled cash and cash equivalents	175,000	132,391,740	130,914,472	1,652,268
Total assets	\$ 287,918	\$ 152,915,987	\$ 151,441,922	\$ 1,761,983
Liabilities				
Due to other funds	\$ -	\$ 9,246,233	\$ 9,246,233	\$ -
Due to Tourist Commission	-	1,026,303	1,026,303	-
Due to Convention Center Corp.	-	342,101	342,101	-
Due to other taxing units - School Board	-	9,038,997	9,038,997	-
Due to other governmental units	112,918	221,318	224,521	109,715
Due to employees	-	-	-	-
Other liabilities	175,000	133,041,035	131,563,767	1,652,268
Total liabilities	\$ 287,918	\$ 152,915,987	\$ 151,441,922	\$ 1,761,983

CITY OF BOWLING GREEN, KENTUCKY
COMBINING STATEMENT OF NET ASSETS – COMPONENT UNIT – BOWLING GREEN MUNICIPAL UTILITIES
 June 30, 2012

	Bowling Green Municipal Utilities			
	Electric Division	Water-Sewer Division	General Services Division	Total
ASSETS				
Non-pooled cash and cash equivalents	\$ 9,038,083	\$ 2,880,053	\$ 38,336	\$ 11,956,472
Receivables (net):				
Accounts	8,629,394	377,251	40,953	9,047,598
Other	32,256	101,601	-	133,857
Inventories	901,833	192,784	69,762	1,164,379
Prepaid items	356,900	183,578	18,516	558,994
Long-term investments	100,000	-	-	100,000
Restricted cash - TVA	521,804	-	-	521,804
Investments and restricted funds	1,423,119	11,460,899	-	12,884,018
Due from component units	243,393	6,001,317	-	6,244,710
Capital assets, net of accumulated depreciation:				
Non-depreciable	1,456,509	59,848,960	104,219	61,409,688
Depreciable	47,828,301	74,786,364	4,275,213	126,889,878
Deferred charges	-	442,926	-	442,926
Other assets	159,185	-	221,323	380,508
Total assets	70,690,777	156,275,733	4,768,322	231,734,832
LIABILITIES				
Vouchers and accounts payable	7,834,889	3,874,068	142,696	11,851,653
Compensated absences payable	517,009	340,716	-	857,725
Accrued interest payable	1,140,508	64,088	-	1,204,596
Due to component unit	-	232,768	1,009,047	1,241,815
Security deposits	3,785,989	-	-	3,785,989
Other current liabilities	683,908	230,571	-	914,479
Compensated absences payable, noncurrent	205,362	105,626	-	310,988
Customer advances	56,861	-	-	56,861
Noncurrent liabilities:				
Due within one year	1,040,000	2,116,739	-	3,156,739
Due in more than one year	7,101,064	76,121,633	-	83,222,697
Due to component unit	-	-	5,000,000	5,000,000
Total liabilities	22,365,590	83,086,209	6,151,743	111,603,542
NET ASSETS				
Invested in capital assets, net of related debt	41,143,746	63,874,914	-	105,018,660
Restricted for capital activity and debt service	1,523,119	4,013,660	-	5,536,779
Unrestricted	5,658,322	5,300,950	(1,383,421)	9,575,851
Total net assets	\$ 48,325,187	\$ 73,189,524	\$ (1,383,421)	\$ 120,131,290

CITY OF BOWLING GREEN, KENTUCKY
COMBINING STATEMENT OF ACTIVITIES – COMPONENT UNITS – BOWLING GREEN MUNICIPAL UTILITIES
For the Year Ended June 30, 2012

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	\$ 83,628,417	\$ 84,478,191	\$ -	\$ -	\$ 849,774	\$ -	\$ -	\$ 849,774
Water-Sewer Division	16,297,824	17,368,100	-	468,002	-	1,538,278	-	1,538,278
General Services Division	1,715,466	2,099,075	-	-	-	-	383,609	383,609
Total component units	\$ 101,641,707	\$ 103,945,366	\$ -	\$ 468,002	849,774	1,538,278	383,609	2,771,661
General revenues:								
					81,996	229,115	-	311,111
					101,450	-	11,436	112,886
					-	465,514	4,714	470,228
					183,446	694,629	16,150	894,225
					1,033,220	2,232,907	399,759	3,665,886
					47,291,967	70,956,617	(1,783,180)	116,465,404
					\$ 48,325,187	\$ 73,189,524	\$ (1,383,421)	\$ 120,131,290

See accompanying independent auditor's report

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

	Fiscal Year									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 135,364,894	\$ 124,378,964	\$ 115,406,434	\$ 110,124,978	\$ 95,299,980	\$ 70,506,798	\$ 61,920,839	\$ 48,982,175	\$ 47,421,777	\$ 39,857,501
Restricted	8,334,411	7,678,890	8,489,209	12,648,978	13,706,589	16,471,139	7,114,135	8,614,231	2,697,480	2,487,100
Unrestricted	14,779,013	11,861,503	10,322,628	3,791,321	30,702,914	35,938,960	32,220,951	24,642,192	14,287,360	12,004,217
Total governmental activities net assets	\$ 158,478,318	\$ 143,919,357	\$ 134,218,271	\$ 126,565,277	\$ 139,709,483	\$ 122,916,897	\$ 101,255,925	\$ 82,238,598	\$ 64,406,617	\$ 54,348,818
Business-type activities										
Invested in capital assets, net of related debt	\$ 6,697,127	\$ 6,601,646	\$ 6,073,639	\$ 5,673,876	\$ 4,914,526	\$ 4,536,514	\$ 4,391,188	\$ 4,007,468	\$ 4,148,183	\$ 4,189,200
Restricted	-	-	-	-	-	-	-	533	16,967	996
Unrestricted	5,855,494	5,109,640	4,408,480	3,763,476	2,954,021	2,723,849	1,908,071	1,503,788	1,618,039	1,827,602
Total business-type activities net assets	\$ 12,552,621	\$ 11,711,286	\$ 10,482,119	\$ 9,437,352	\$ 7,868,547	\$ 7,260,363	\$ 6,299,259	\$ 5,511,789	\$ 5,783,189	\$ 6,017,798
Primary government										
Invested in capital assets, net of related debt	\$ 142,062,021	\$ 130,980,610	\$ 121,480,073	\$ 115,798,854	\$ 100,214,506	\$ 75,043,312	\$ 66,312,027	\$ 52,989,643	\$ 51,569,960	\$ 44,046,701
Restricted	8,334,411	7,678,890	8,489,209	12,648,978	13,706,589	16,471,139	7,114,135	8,614,764	2,714,447	2,488,096
Unrestricted	20,634,507	16,971,143	14,731,108	7,554,797	33,656,935	38,662,809	34,129,022	26,145,980	15,905,399	13,831,819
Total primary government net assets	\$ 171,030,939	\$ 155,630,643	\$ 144,700,390	\$ 136,002,629	\$ 147,578,030	\$ 130,177,260	\$ 107,555,184	\$ 87,750,387	\$ 70,189,806	\$ 60,366,616

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

	Fiscal Year									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses										
Governmental activities:										
General government	\$ 15,273,247	\$ 15,155,819	\$ 12,874,758	\$ 14,240,674	\$ 14,963,398	\$ 11,585,397	\$ 10,620,708	\$ 9,839,358	\$ 5,895,705	\$ 5,032,369
Public safety	22,297,308	21,843,704	22,477,932	20,629,290	20,888,002	18,477,954	17,028,198	16,864,958	16,260,982	14,807,559
Public works	7,576,164	6,700,923	7,782,325	6,276,210	6,445,139	8,024,218	6,407,082	6,126,248	5,144,685	4,579,303
Parks and recreation	5,011,216	5,478,404	4,895,725	4,715,430	4,643,176	4,579,136	4,318,574	4,056,394	3,989,799	3,985,463
Neighborhood and community services	5,158,144	4,948,826	4,739,011	5,562,852	4,533,189	5,891,219	5,221,716	4,170,122	3,716,744	3,194,764
Community services	1,341,318	1,238,015	2,446,270	24,078,708	4,087,698	3,016,601	2,585,297	2,445,889	2,406,986	811,445
Miscellaneous	-	-	-	-	-	-	-	5,595	280,874	112,656
Interest expense	6,498,659	5,670,703	6,789,892	7,033,869	4,380,214	3,501,788	3,478,617	3,470,870	2,991,536	2,899,766
Total governmental activities expenses	\$ 63,156,056	\$ 61,036,394	\$ 62,005,913	\$ 82,537,033	\$ 59,940,816	\$ 55,076,313	\$ 49,660,192	\$ 46,979,434	\$ 40,687,311	\$ 35,423,325
Business-type activities:										
Golf course	\$ 2,759,341	\$ 2,366,430	\$ 2,323,270	\$ 2,342,624	\$ 2,379,799	\$ 2,375,208	\$ 2,316,855	\$ 2,251,191	\$ 2,116,158	\$ 2,026,116
Aquatics	919,636	871,429	849,210	848,501	1,231,201	862,409	877,479	1,039,779	991,237	947,862
Convention center	904,908	607,015	823,333	742,829	850,659	682,734	897,524	1,087,721	1,136,688	1,381,268
Total business-type activities expenses	4,583,885	3,844,874	3,995,813	3,933,954	4,461,659	3,920,351	4,091,858	4,378,691	4,244,083	4,355,246
Total primary government expenses	\$ 67,739,941	\$ 64,881,268	\$ 66,001,726	\$ 86,470,987	\$ 64,402,475	\$ 58,996,664	\$ 53,752,050	\$ 51,358,125	\$ 44,931,394	\$ 39,778,571
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,728,986	\$ 3,415,888	\$ 3,095,600	\$ 3,545,304	\$ 2,234,584	\$ 2,124,151	\$ 1,072,180	\$ 1,248,536	\$ 603,853	\$ 551,996
Public safety	269,502	187,098	187,228	250,696	294,866	191,964	199,137	572,295	113,112	122,074
Public works	-	-	-	-	-	-	-	-	668,347	443,695
Parks and recreation	389,486	398,333	421,798	390,693	382,818	323,999	361,444	351,497	591,871	539,792
Operating grants and contributions	7,308,403	8,425,923	8,986,469	7,311,410	7,544,586	6,445,180	5,614,030	5,242,315	5,570,258	4,075,055
Capital grants and contributions	13,461,928	9,941,334	8,339,284	7,689,270	14,582,910	17,335,681	7,856,470	4,185,783	2,847,325	1,692,749
Total governmental activities program revenues	\$ 25,158,305	\$ 22,368,576	\$ 21,030,379	\$ 19,187,373	\$ 25,039,764	\$ 26,420,975	\$ 15,103,261	\$ 11,600,426	\$ 10,394,766	\$ 7,425,361
Business-type activities:										
Charges for services:										
Golf course	\$ 1,438,517	\$ 1,275,821	\$ 1,316,218	\$ 1,429,946	\$ 1,416,483	\$ 1,430,200	\$ 1,369,313	\$ 1,326,003	\$ 1,388,009	\$ 1,337,477
Aquatics	649,347	578,532	518,834	511,395	475,673	421,185	461,381	460,480	490,405	466,250
Convention center	205,503	216,665	214,459	223,958	203,324	194,675	312,682	570,517	287,876	227,416
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities	2,293,367	2,071,018	2,049,511	2,165,299	2,095,480	2,046,060	2,143,376	2,357,000	2,166,290	2,031,143
Total primary government program revenues	\$ 27,451,672	\$ 24,439,594	\$ 23,079,890	\$ 21,352,672	\$ 27,135,244	\$ 28,467,035	\$ 17,246,637	\$ 13,957,426	\$ 12,561,056	\$ 9,456,504
Net (Expense)/Revenue										
Governmental activities	\$ (37,997,751)	\$ (38,667,818)	\$ (40,975,534)	\$ (63,349,660)	\$ (34,901,052)	\$ (28,655,338)	\$ (34,556,931)	\$ (35,379,008)	\$ (30,292,545)	\$ (27,997,964)
Business-type activities	(2,290,518)	(1,773,856)	(1,946,302)	(1,768,655)	(2,366,179)	(1,874,291)	(1,948,482)	(2,021,691)	(2,077,793)	(2,324,103)
Total primary government net expense	\$ (40,288,269)	\$ (40,441,674)	\$ (42,921,836)	\$ (65,118,315)	\$ (37,267,231)	\$ (30,529,629)	\$ (36,505,413)	\$ (37,400,699)	\$ (32,370,338)	\$ (30,322,067)

See accompanying independent auditor's report

	Fiscal Year									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 11,377,484	\$ 11,220,959	\$ 11,346,706	\$ 10,824,938	\$ 11,871,893	\$ 10,835,879	\$ 13,163,115	\$ 10,797,549	\$ 10,401,190	\$ 9,590,687
Insurance premium taxes ^a	3,156,411	3,087,621	3,140,598	3,100,377	3,154,521	3,097,857	-	-	-	-
Wages and net profits taxes	39,490,949	37,220,689	35,502,869	36,016,500	36,502,625	37,247,653	37,285,158	35,711,658	29,965,370	22,315,645
Gain (loss) on sale of capital assets	-	(1,839,170)	-	-	-	(872,410)	44,519	6,107	(226,900)	47,927
Judgements and settlements	-	-	-	-	-	-	730,458	427,363	-	-
Investment income	815,700	886,084	1,031,911	2,435,228	2,351,828	2,253,732	1,787,940	957,679	588,707	160,956
Miscellaneous	262,868	270,561	144,527	696,997	327,802	159,972	148,603	1,302,587	1,235,134	609,723
Transfers	(2,546,700)	(2,477,840)	(2,538,083)	(2,868,586)	(2,515,031)	(2,406,373)	(2,318,501)	(1,651,859)	(1,613,157)	(3,312,325)
Total governmental activities	\$ 52,556,712	\$ 48,368,904	\$ 48,628,528	\$ 50,205,454	\$ 51,693,638	\$ 50,316,310	\$ 50,841,292	\$ 47,551,084	\$ 40,350,344	\$ 29,412,613
Business-type activities:										
Taxes										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 512,710	\$ 415,371
Transient room taxes	432,158	420,300	382,340	396,518	398,381	369,162	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	152,995	84,510	70,646	72,356	60,951	59,860	55,069	39,089	11,987	10,486
Miscellaneous	-	20,373	-	-	-	-	-	17,542	-	-
Transfers	2,546,700	2,477,840	2,538,083	2,868,586	2,515,031	2,406,373	2,318,501	1,651,859	1,613,157	1,558,213
Total business-type activities	3,131,853	3,003,023	2,991,069	3,337,460	2,974,363	2,835,395	2,735,952	2,098,447	2,153,239	2,592,827
Total primary government	\$ 55,688,565	\$ 51,371,927	\$ 51,619,597	\$ 53,542,914	\$ 54,668,001	\$ 53,151,705	\$ 53,577,244	\$ 49,649,531	\$ 42,503,583	\$ 32,005,440
Changes in Net Assets										
Governmental activities	\$ 14,558,961	\$ 9,701,086	\$ 7,652,994	\$ (13,144,206)	\$ 16,792,586	\$ 21,660,972	\$ 16,284,361	\$ 12,172,076	\$ 10,057,799	\$ 1,414,649
Business-type activities	841,335	1,229,167	1,044,767	1,568,805	608,184	961,104	787,470	76,756	75,446	268,724
Total primary government	\$ 15,400,296	\$ 10,930,253	\$ 8,697,761	\$ (11,575,401)	\$ 17,400,770	\$ 22,622,076	\$ 17,071,831	\$ 12,248,832	\$ 10,133,245	\$ 1,683,373

Note: (a) Insurance premium taxes were previously reported in the property tax line.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Nonspendable	\$ 110,067	\$ 116,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	580,258	1,843,259	2,175,158	853,653	681,409	573,802	991,825	218,439
Restricted	-	28,381	-	-	-	-	-	-	-	-
Committed	10,142,001	7,153,358	-	-	-	-	-	-	-	-
Assigned	3,946,030	2,350,558	-	-	-	-	-	-	-	-
Unassigned	4,288,920	8,083,626	-	-	-	-	-	-	-	-
Unreserved	-	-	16,393,728	13,888,739	15,328,742	20,593,019	21,042,696	16,742,378	10,721,868	6,356,566
Total General Fund	<u>18,487,018</u>	<u>17,732,514</u>	<u>\$ 16,973,986</u>	<u>\$ 15,731,998</u>	<u>\$ 17,503,900</u>	<u>\$ 21,446,672</u>	<u>\$ 21,724,105</u>	<u>\$ 17,316,180</u>	<u>\$ 11,713,693</u>	<u>\$ 6,575,005</u>
All Other Governmental Funds										
Restricted	\$ 17,804,417	\$ 20,223,543	\$ 4,992,442	\$ 3,672,061	\$ 6,198,535	\$ 6,364,120	\$ 4,340,670	\$ 3,348,334	\$ 5,115,715	\$ 2,918,016
Committed	3,875,464	-	-	-	-	-	-	-	-	-
Assigned	9,810,617	11,382,712	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special Revenue funds	-	-	25,691,575	27,562,694	24,465,839	7,658,317	8,367,593	7,091,740	5,305,482	4,666,800
Capital Projects funds	-	-	3,285,091	8,778,626	8,619,293	13,733,273	2,747,696	4,887,593	6,722,685	(1,005,211)
Debt Service funds	-	-	-	-	47,702	104,610	105,116	104,949 ^a	-	-
Permanent fund	-	-	36,806	93,736	67,610	47,988	32,288	541,276	104,014	97,430
Total all other governmental funds	<u>\$ 31,490,498</u>	<u>\$ 31,606,255</u>	<u>\$ 34,005,914</u>	<u>\$ 40,107,117</u>	<u>\$ 39,398,979</u>	<u>\$ 27,908,308</u>	<u>\$ 15,593,363</u>	<u>\$ 15,973,892</u>	<u>\$ 17,247,896</u>	<u>\$ 6,677,035</u>

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

Implementation of GASB Statement 54 resulted in the following newgovernmental fund balance classifications:

- Nonspendable
- Committed
- Assigned
- Unassigned

Effective with FY2011, the unrestricted governmental fund balance is eliminated.

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

	Fiscal Year									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues										
Taxes	\$ 11,233,161	\$ 11,094,132	\$ 11,174,838	\$ 10,633,642	\$ 11,743,169	\$ 10,835,879 ^a	\$ 13,163,115	\$ 10,797,549	\$ 10,401,190	\$ 9,590,687
Insurance premium taxes	3,131,426	3,087,621	3,140,598	3,100,377	3,154,521	3,097,857 ^a	-	-	-	-
Wage and net profit taxes	39,490,949	37,218,764	35,502,869	36,111,281	36,681,744	37,406,227 ^b	37,285,157	35,711,658	31,085,066	23,100,389
Licenses and permits	1,225,876	1,008,531	1,164,737	898,603	945,383	735,949 ^b	-	-	-	-
Intergovernmental	10,282,887	10,490,457	12,457,418	9,836,174	10,453,862	11,392,786	9,868,433	9,428,098	8,417,583	5,767,804
Investment income	709,096	774,589	940,504	2,236,555	2,099,729	2,017,219 ^c	-	-	-	-
Charges for services	617,189	572,038	616,196	481,491	547,340	595,021	571,009	572,295	451,453	510,395
Parks and recreation	352,727	379,821	410,111	380,317	372,484	323,999	361,444	351,497	383,879	340,043
Rental Income	1,418,056	1,410,533	976,868	1,685,901	-	-	-	-	-	-
Miscellaneous	678,284	1,007,904	492,125	954,532	591,109	965,356	3,050,865	2,188,073	1,813,668	754,555
Total revenues	69,139,651	67,044,390	66,876,264	66,318,873	66,589,341	67,370,293	64,300,023	59,049,170	52,552,839	40,063,873
Expenditures										
General government	6,416,600	6,319,543	6,753,844	6,899,349	8,512,371	7,018,903	6,490,388	6,034,350	5,721,598	4,858,711
Public safety	24,472,880	23,911,824	24,774,100	23,200,660	23,276,993	21,382,962	19,849,913	17,481,667	15,716,344	14,079,630
Public works	7,879,907	7,330,975	7,590,188	7,862,753	6,885,983	7,369,126	7,518,741	6,504,418	5,204,488	4,935,979
Parks and recreation	5,298,687	5,591,502	4,986,858	5,412,954	5,758,676	5,107,121	4,274,028	3,913,462	3,722,246	3,698,588
Neighborhood & Community Services	5,756,566 ^d	5,194,215	6,937,549	27,800,163	6,062,010	6,652,290	5,298,730	4,253,515	3,784,107	3,199,980
Community services	625,098	461,995	751,278	1,066,412	3,116,912	3,016,601	2,576,613	2,437,205	2,373,892	778,323
Miscellaneous	-	-	-	-	-	-	-	5,595	285,827	111,458
Capital outlay	2,491,802	5,879,013	5,675,679	12,407,497	10,561,509	9,324,923	6,254,064	9,846,885	10,198,474	3,547,072
Debt service:										
Principal	7,391,770	6,798,046	5,489,095	5,009,606	4,201,347	4,757,074	3,506,898	2,648,501	2,172,095	4,912,967
Interest and fiscal charges	5,632,984	6,145,566	6,655,188	7,277,785	4,500,337	3,403,076	3,403,726	3,576,060	3,206,406	2,866,115
Total Expenditures	65,966,294	67,632,679	69,613,779	96,937,179	72,876,138	68,032,076	59,173,101	56,701,658	52,385,477	42,988,823
Excess (deficiency) of revenues over (under) expenditures	3,173,357	(588,289)	(2,737,515)	(30,618,306)	(6,286,797)	(661,783)	5,126,922	2,347,512	167,362	(2,924,950)

Other Financing Sources (Uses)

Transfers in	13,721,906	10,727,493	14,823,177	19,275,432	14,236,314	12,653,038	9,202,125	9,336,999	6,640,294	7,448,127
Transfers out	(16,452,014)	(13,105,332)	(17,011,260)	(22,144,018)	(16,816,345)	(15,186,551)	(11,448,126)	(10,893,858)	(8,148,010)	(10,360,452)
Issuance of debt	-	-	-	31,420,000	-	-	-	1,630,000	14,658,705	-
Premium on general obligation bonds	-	-	-	667,110	-	83,038	-	-	237,204	-
Discount on general obligation bonds	-	-	-	(8,009)	-	-	-	-	(1,643)	-
Capital lease proceeds	-	1,309,391	-	-	-	-	-	1,708,594	212,000	3,253,128
General Obligation note proceeds	-	-	-	-	-	-	-	-	1,730,000	386,000
General Obligation bond proceeds	-	-	-	-	-	14,682,962	-	-	-	-
Issuance of refunding debt	7,409,463	29,627,561	-	12,119,800	30,443,095	-	-	-	-	-
Payment to refunded bonds redeemed	-	-	-	(2,147,888)	-	-	-	-	-	-
Payments to refunded debt escrow agent	(7,718,497)	(29,627,561)	-	(9,971,912)	(13,803,815)	-	-	-	-	-
Premium from bond refunding	319,639	-	-	-	-	-	-	-	-	-
Other financing costs	-	-	-	-	(319,653)	-	-	-	-	-
Sale of capital assets	184,893	15,604	66,383	344,027	95,100	466,807	1,146,475	199,236	213,637	110,366
Total other financing sources (uses)	(2,534,610)	(1,052,844)	(2,121,700)	29,554,542	13,834,696	12,699,294	(1,099,526)	1,980,971	15,542,187	837,169
Net Change in fund balances	\$ 638,747	\$ (1,641,133)	\$ (4,859,215)	\$ (1,063,764)	\$ 7,547,899	\$ 12,037,511	\$ 4,027,396	\$ 4,328,483	\$ 15,709,549	\$ (2,087,781)
Debt service as a percentage of noncapital expenditures	24.37%	22.78%	21.03%	15.55%	21.74%	18.28%	13.41%	12.75%	12.04%	18.76%

(a) Insurance Premium Taxes were previously reported as Property Tax Revenue.

(b) Licenses and Permits were previously reported under Wage and Net Profit Taxes.

(c) Investment Income was previously reported as Miscellaneous Revenue.

(d) Neighborhood & Community Services was previously known as Community Development.

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

Fiscal Year Ended June 30,	Total Gross Wages	Occupational Withholding Fees	Total Direct Tax Rate
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%
2007	1,437,833,982	28,103,464	1.85% ¹
2008	1,528,058,865	28,269,089	1.85%
2009	1,506,249,500	27,865,616	1.85%
2010	1,517,902,824	28,081,202	1.85%
2011	1,559,791,267	28,856,139	1.85%
2012	1,672,226,810	30,936,196	1.85%

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.

¹ The new tax rate of 1.85% began on January 1, 2007, returns were based on this rate beginning in February 2007.

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

<u>Fiscal Year</u>	<u>City of Bowling Green Direct Rate</u>	<u>Total Direct</u>
2003	1.50%	1.50%
2004	2.00%	2.00%
2005	2.00%	2.00%
2006	2.00%	2.00%
2007	1.85%	1.85%
2008	1.85%	1.85%
2009	1.85%	1.85%
2010	1.85%	1.85%
2011	1.85%	1.85%
2012	1.85%	1.85%

Source: City of Bowling Green, Department of Finance

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

(b) The new tax rate of 1.85% began January 1, 2007, returns were based on this rate beginning in February 2007.

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

Taxpayer	
<u>2012</u>	<u>2003</u>
Bowling Green Independent Schools	Bowling Green Independent Schools
Bowling Green Metalforming LLC	Commonwealth of Kentucky
General Motors Corporation	Country Oven Bakery
HCA Payroll Agent Inc	DESA International Inc
Houchens Food Group Inc	General Motors Corporation
Sun Products Corporation	Graves Gilbert Clinic PSC
The Medical Center at BG	The Medical Center at BG
Union Underwear Co. LLC	Union Underwear Co. LLC
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.

General Motors previously listed at NAO Comp Oper-
North American Oper.

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			
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
2007	77,134,277	1,350,000	143,167	6,106,234	13,385,722	-	153,352	98,272,752	3.34%	1,890
2008	102,042,174	1,230,000	136,590	5,577,154	12,287,828	-	98,893	121,372,639	3.98%	2,248
2009	132,181,377	-	131,906	4,510,477	11,288,624	-	60,698	148,173,082	4.64%	2,694
2010	128,561,433	-	125,229	3,241,585	10,073,568	-	47,544	142,049,359	4.17%	2,492
2011	124,964,655	-	118,419	3,944,088	9,165,353	-	28,925	138,221,440	4.02%	2,383
2012	119,325,846	-	112,506	3,412,034	8,274,155	-	50,257	131,174,798	3.90%	2,223

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 Ten Fiscal Years

	Fiscal Year									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General bonded debt outstanding										
General obligation bonds	\$ 119,325,846	\$ 124,964,655	\$ 128,561,433	\$ 132,181,377	\$ 102,042,174	\$ 77,134,277	\$ 64,175,565	\$ 65,738,223	\$ 66,537,320	\$ 52,317,000
Lease revenue bonds	-	-	-	-	1,230,000	1,350,000	2,350,000	2,805,000	3,240,000	3,660,000
Special Assessment bonds	<u>112,506</u>	<u>118,419</u>	<u>125,229</u>	<u>131,906</u>	<u>136,590</u>	<u>143,167</u>	<u>148,250</u>	<u>153,331</u>	<u>160,241</u>	-
Total	119,438,352	\$ 125,083,074	128,686,662	132,313,283	103,408,764	78,627,444	66,673,815	68,696,554	69,937,561	55,977,000
Less: Amounts set aside to repay general debt	-	-	-	-	(47,702)	(104,610)	(105,116)	(105,482)	(106,397)	(100,325)
Net general bonded debt	<u>\$ 119,438,352</u>	<u>\$ 125,083,074</u>	<u>\$ 128,686,662</u>	<u>\$ 132,313,283</u>	<u>\$ 103,361,062</u>	<u>\$ 78,522,834</u>	<u>\$ 66,568,699</u>	<u>\$ 68,591,072</u>	<u>\$ 69,831,164</u>	<u>\$ 55,876,675</u>
Property Values	\$ 4,725,859,276	\$ 4,565,229,850	\$ 4,551,808,439	\$ 4,489,771,784	\$ 4,394,868,241	\$ 4,094,335,746	\$ 3,394,130,088	\$ 3,117,333,952	\$ 2,942,526,746	\$ 2,841,283,564
Percentage of estimated actual taxable value of property	2.53%	2.74%	2.83%	2.95%	2.35%	1.92%	1.96%	2.20%	2.37%	1.97%
Per capita (a)	2,024	2,194	2,258	2,406	1,914	1,510	1,280	1,319	1,343	1,075

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, 2012

Governmental Unit	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Bowling Green Independent Schools	\$ 26,026,000	100.00%	\$ 26,026,000
Warren County	90,235,000	57.57%	51,949,206
Warren County Schools	138,796,000	49.59%	68,825,987
Bowling Green Municipal Utilities	91,538,372	100.00%	91,538,372
Subtotal, overlapping debt			238,339,565
City direct debt			129,153,378
Total direct and overlapping debt			\$ 367,492,943

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 Ten Fiscal Years

<u>Legal Debt Margin Calculation for Fiscal Year 2012</u>	
Assessed value	4,725,859,276
Debt Limit (10% of assessed value)	472,585,928
Debt applicable to limit:	
General Obligation bonds	127,712,507
Notes and Capital Leases payable	3,462,290
Less: Amount set aside for repayment of general obligation debt	-
Less: Non tax-supported debt	<u>(2,021,419)</u>
Total net debt applicable to limit	<u>129,153,378</u>
Legal debt margin	<u>\$ 343,432,550</u>

	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt Limit	472,585,928	\$456,522,985	\$455,180,844	\$448,977,178	\$439,486,824	\$409,433,575	\$ 339,413,009	\$ 311,733,395	\$ 321,124,611	\$ 306,400,447
Total net debt applicable to limit	<u>129,153,378</u>	<u>135,935,233</u>	<u>140,594,305</u>	<u>145,580,339</u>	<u>117,768,696</u>	<u>94,166,847</u>	<u>80,217,030</u>	<u>85,646,789</u>	<u>93,892,441</u>	<u>81,334,054</u>
Legal Debt Margin	<u>\$343,432,550</u>	<u>\$320,587,752</u>	<u>\$314,586,539</u>	<u>\$303,396,839</u>	<u>\$321,718,128</u>	<u>\$315,266,728</u>	<u>\$ 259,195,979</u>	<u>\$ 226,086,606</u>	<u>\$ 227,232,170</u>	<u>\$ 225,066,393</u>
Total net debt applicable to limit as a percentage of debt limit	27.33%	29.78%	30.89%	32.42%	26.80%	23.00%	23.63%	27.47%	29.24%	26.55%

Note: (a) Under Section 158 of the Constitution 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)				Lovers Lane (b)			
	Special Assessment	Debt Service		Coverage	Special Assessment	Debt Service		Coverage	Special Assessment	Debt Service		Coverage
	Collections	Principal	Interest		Collections	Principal	Interest		Collections	Principal	Interest	
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				
2007	112,572	29,000	81,468	1.02	29,997	10,000	18,563	1.05				
2008	111,571	29,000	83,125	1.00	29,513	10,000	17,888	1.06	16,150	6,273	9,877	1.00
2009	117,482	33,000	85,712	0.99	29,238	10,000	19,213	1.00	16,150	6,577	9,574	1.00
2010	126,701	34,000	83,840	1.08	29,632	10,000	18,538	1.04	15,581	6,896	9,255	0.96
2011	107,345	40,000	82,560	0.88	28,003	10,000	17,863	1.01	15,385	7,229	8,921	0.95
2012	131,031	42,000	74,643	1.12	27,112	10,000	17,188	1.00	16,247	7,579	8,571	1.01

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 sidewalk infrastructure.

(b) Lovers Lane Special Assessment revenues are collected from property owners to fund the development of underground utilities. This special assessment is new for fiscal year 2008.

Schedule 13
City of Bowling Green
Demographic and Economic Statistics
Last Ten Calendar 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>
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%
2007	52,000	2,941,885,397	29,737	29	16,502	4.6%
2008	54,000	3,051,745,000	29,849	29	16,251	4.6%
2009	55,000	3,195,505,000	30,802	29	16,107	8.0%
2010	57,000	3,410,173,000	31,993	29	17,917	9.9%
2011	58,000	3,438,236,000	31,640	28	18,157	9.0%
2012	59,000	3,359,422,000	29,426	28	18,128	7.9%

Sources: (a) Estimated population statistics obtained from the U.S Census Bureau (<http://quickfacts.census.gov/qfd/states/21/2108902.html>).

(c) Personal Income data obtained from www.bea.gov (Bureau of Economic Analysis)

(c) Income Per Capita obtained from www.bea.gov (Bureau of Economic Analysis)

(d) U.S. Department of the Census American FactFinder (2010 Census) (<http://factfinder2.census.gov>)

(e) For public schools used www.education.ky.gov and for private schools used www.greatschools.org. Bowling Green Board of Education, Warren County Board of Education, and all private schools. Western Kentucky University is not included.

(f) Bureau of Labor Statistics (www.bls.gov), figures not seasonally adjusted, avg for fiscal year

Note: (1) Personal Income, and Per Capita Income are for the full calendar year before fiscal year end and figures are using Warren County population statistics.

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Western Kentucky University	4,676	1	7.81%	3,884	1	7.19%
The Medical Center at BG	2,032	2	3.39%	1,554	2	2.88%
Union Underwear Co. LLC	1,632	3	2.72%	840	5	1.56%
Wal-Mart Associates Inc.	1,038	4	1.73%	----	----	----
Sun Products	998	5	1.67%	753	6	1.39%
Warren County Board of Education	958	6	1.60%	702	7	1.30%
Express Services Inc	845	7	1.41%	----	----	----
Houchens Food Group Inc.	751	8	1.25%	855	4	1.58%
BG Metalforming LLC	712	9	1.19%	----	----	----
Bowling Green Independent Schools	654	10	1.09%	----	----	----
General Motors	----	----	----	858	3	1.59%
Desa International Inc.	----	----	----	629	8	1.16%
City of Bowling Green	----	----	----	611	9	1.13%
Eagle Industries LLC & Subs	----	----	----	610	10	1.13%
Total	14,296		23.87%	11,296		20.92%

Source: City of Bowling Green, Department of Finance,
or call Chamber of Commerce (781-3200)

Bureau of Labor and Statistics (www.bls.gov)

Note: NAO Comp Oper-North America Oper is now listed as General Motors Corporation

Now calculate percentage of Total City Employment based on non-seasonally adjusted employment figure obtained on Bureau of Labor and Statistics website.

**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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General government	41	42	41	45	45	44	44	46	46	41
Administration	7	7	7	6	6	6	4	4	4	4
Citizen's Assistance	-	-	-	6	7	7	9	9	9	7
Finance	18	18	18	18	17	17	17	19	20	20
Human Resources	5	6	6	5	6	6	6	6	6	5
Legal	2	2	2	2	2	2	2	2	2	-
Information Technology	9	9	8	8	7	6	6	6	5	5
Public Safety	266	269	263	276	265	260	257	247	239	234
Police										
Officers	109	110	104	114	111	107	103	97	95	90
Civilians	35	38	38	40	38	35	35	34	31	34
Fire										
Firefighters and officers	118	117	117	118	112	115	115	112	109	106
Civilians	4	4	4	4	4	3	4	4	4	4
Public Works	52	50	51	57	58	60	60	57	58	53
Parks and Recreation	58	57	61	60	60	58	60	60	58	57
Neighborhood & Community Services	23	21	21	22	22	26	24	22	23	21
Total	440	439	437	460	450	448	445	432	424	406

Source: City of Bowling Green Department of Finance

Note: Neighborhood & Community Services was previously known as Community Development.

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

Function/Program	Fiscal Year									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Citizen's Information										
Anti-Litter presentations/events	2	7	8	7	28	50	23	10 ^a	-	-
Neighborhood Meetings conducted	71	71	72	91	97	84	91	70	65	65
Finance										
Tax bills sent	21,495	21,405	21,372	21,238	20,946	20,444	20,330	19,714	19,555	19,453
Business registrations received	801	835	819	776	967	1,072	1,134	1,351	1,193	1,141
Human Resources										
Job applicants	1,394	1,346	1,137	1,938	1,567	2,505	1,386	942	611	1,631
Position filled	216	216	178	204	224	147	185	132	122	111
Police										
911 Service calls	67,842	65,440	54,754	60,013	59,041	54,294	55,730	53,226	50,789	49,138
Animal control calls	3,203	3,176	3,202	3,283	3,615	3,990	4,900	4,867 ^c	524	501
Traffic stops	13,476	15,650	15,777	17,356	13,021	14,066	3,237	3,367	3,281	3,568
Fire										
Accident runs	5,049	4,836	4,517	4,586	4,552	2,475	2,292	2,741	3,161	4,231
Fire runs	300	285	258	294	499	534	405	578	648	497
Inspections	71	2,845	3,373	3,838	2,761	937	134	2,183	1,136	1,219
Public Works										
Street resurfacing (miles)	12	5	5	4	5	18	17	14	14	11
Potholes repaired	392	478	466	385	408	294	349	625	567	755
Parks and Recreation										
Fitness & Athletic participants	927,403	765,462	878,035	871,724	842,043	845,618	821,759	729,967	705,271	636,122
Visits to Community Center	269,596	271,722	214,184	223,628	176,998	298,315	110,929	109,599	120,000	126,998 ^d
Neighborhood & Community Services^e										
Households receiving asst	726	723	765	791	688	579	663	616	628	602
Bldg/Electrical & Code inspections	9,912	8,804	15,631	12,302	13,038	15,460	16,001	13,935	9,032	7,561

Notes: (a) The Anti-Litter program was established in 2005.
(c) Animal Control Program was developed in 2005, calls had previously been forwarded to the Sheriff's Department.
(d) Community Action volume is no longer tracked at the Bowling Green Community Center.
(e) Neighborhood & Community Services was previously Community Development

Source: Citizens Information & Assistance department compiled information from various City of Bowling Green departments.

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Police										
Police Stations	1	1	1	1	1	1	1	1	3	3
Substations	2	2	2	2	2	2	2	2	-	-
Fire										
Fire stations	7	7	7	6	5	5	5	5	5	5
Training centers	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	266	265	257	247	242	241	235	230	221	408
Sidewalks (miles)	109	104	95	94	90	88	106	106	207	207
Alleys (miles)	19	17	17	17	15	4	4	4	3	8
Parks and recreation										
Number of Parks	25	25	25	25	25	25	25	24	24	24
Acreage	972	970	970	970	970	970	944	886	886	886
Playgrounds	22	22	22	22	22	19	19	17	17	17
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	3	3	3	3	2	2	2	2	2	2
Community Development										
Building Permits Issued	1,609	1,515	1,571	1,523	2,082	2,400	2,787	2,765	2,488	2,331

Source: Various City of Bowling Green Departments