

**CITY OF BOWLING GREEN, MISSOURI**

**BASIC FINANCIAL STATEMENTS**

**Year Ended September 30, 2010**

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Board of Aldermen  
City of Bowling Green  
Bowling Green, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Bowling Green, Missouri, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bowling Green, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 misstatements. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the City of Bowling Green, Missouri, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Board of Aldermen  
City of Bowling Green  
Bowling Green, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison schedules, and schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bowling Green, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2010, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.  
March 2, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BOWLING GREEN, MISSOURI  
SEPTEMBER 30, 2010**

The management's discussion and analysis of the City of Bowling Green's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the City's financial statements, which begin on page 14.

***Financial Highlights***

- The net assets of the City's governmental activities increased by \$653,279 for the year as a result of current year activities. The net assets of the City's business activities increased by \$702,417 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2010, by \$16.3 million (net assets). Of this amount \$1.8 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City increased by \$3,052,204 during the year.
- Total revenues increased 33% over prior year revenues, while total expense increased 5%.

***Using This Annual Report***

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

***Government-Wide Financial Statements***

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. The City's net assets – the difference between assets and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are indicators of whether its financial health is improving or deteriorating.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BOWLING GREEN, MISSOURI  
SEPTEMBER 30, 2010**

***Government-Wide Financial Statements (continued)***

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the Board of Aldermen establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are shown in reconciliations following the fund financial statements.
- Proprietary Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

***Notes to the Basic Financial Statements***

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BOWLING GREEN, MISSOURI  
SEPTEMBER 30, 2010**

*Government-Wide Financial Analysis*

**NET ASSETS**

The following table presents the condensed Statement of Net Assets for the City as of September 30, 2010 and 2009:

	Governmental Activities	Business-Type Activities	Total September 30, 2010	Total September 30, 2009
Current and other assets	\$ 1,832,259	\$ 1,873,676	\$ 3,705,935	\$ 3,584,825
Capital assets	9,907,361	16,395,559	26,302,920	19,945,260
TOTAL ASSETS	11,739,620	18,269,235	30,008,855	23,530,085
Other liabilities	316,495	2,612,588	2,929,083	858,213
Long-term liabilities outstanding	5,169,500	5,602,691	10,772,191	7,719,987
TOTAL LIABILITIES	5,485,995	8,215,279	13,701,274	8,578,200
Net assets:				
Invested in capital assets				
net of related debt	4,809,442	9,102,745	13,912,187	12,167,042
Restricted	203,256	405,036	608,292	546,632
Unrestricted	1,240,927	546,175	1,787,102	2,238,211
TOTAL NET ASSETS	<u>\$ 6,253,625</u>	<u>\$ 10,053,956</u>	<u>\$ 16,307,581</u>	<u>\$ 14,951,885</u>

Total net assets of the City increased by \$1,355,696 for the year due to current year activity. Total liabilities for the City increased \$5,123,074 due to the issuance of interim financing and other loans.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BOWLING GREEN, MISSOURI  
SEPTEMBER 30, 2010**

**CHANGE IN NET ASSETS**

	Governmental Activities	Business-Type Activities	Total September 30, 2010	Total September 30, 2009
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 140,238	\$ 2,280,953	\$ 2,421,191	\$ 2,383,000
Operating grants and contributions	7,736	-	7,736	8,066
Capital grants and contributions	605,502	580,959	1,186,461	159,338
General Revenues				
Property taxes	279,466	-	279,466	268,643
Sales taxes	1,143,331	-	1,143,331	800,741
Motor vehicle taxes	124,536	-	124,536	120,523
Other taxes	304,269	-	304,269	314,904
Franchise fees	319,438	-	319,438	278,435
Interest	7,825	180,851	188,676	173,456
Other revenue	49,554	-	49,554	20,849
TOTAL REVENUES	2,981,895	3,042,763	6,024,658	4,527,955
<b>EXPENSES</b>				
Administrative	377,959	-	377,959	378,579
Public safety	841,611	-	841,611	819,151
Fire	34,415	-	34,415	33,818
Community center	17,713	-	17,713	17,101
Airport	64,648	-	64,648	31,776
Street	658,396	-	658,396	521,145
Emergency preparedness	1,472	-	1,472	4,033
Municipal court	8,320	-	8,320	10,292
Planning and zoning	62,568	-	62,568	57,467
Cemetery	13,789	-	13,789	34,164
Park	58,701	-	58,701	50,676
Pool	18,352	-	18,352	12,105
Library	77,158	-	77,158	78,749
Other	2,107	-	2,107	7,791
Debt service	91,407	-	91,407	92,963
Water and sewer	-	2,340,346	2,340,346	2,289,426
TOTAL EXPENSES	2,328,616	2,340,346	4,668,962	4,439,236
INCREASE IN NET ASSETS	\$ 653,279	\$ 702,417	\$ 1,355,696	\$ 88,719

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BOWLING GREEN, MISSOURI  
SEPTEMBER 30, 2010**

***Governmental Activities***

Governmental activities increased the net assets of the City by \$653,279. Tax revenues for the City were \$2,171,040 which represents 73% of the financing of these activities. Program revenues for the functions totaled \$753,476. The following table shows the cost of the City's ten largest programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF BOWLING GREEN'S TEN LARGEST  
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 377,959	\$ 359,946
Public safety	841,611	767,136
Fire	34,415	34,415
Airport	64,648	(467,973)
Street	658,396	569,818
Planning and zoning	62,568	51,260
Park	58,701	47,349
Pool	18,352	18,352
Library	77,158	65,329
Debt service	91,407	91,407
Other government activities	43,401	38,101
	<u>\$ 2,328,616</u>	<u>\$ 1,575,140</u>

***Business-Type Activities***

Business-type activities increased the City's net assets by \$702,417. This is up from the increase received last year from the City's business-type activities. The increase received in the prior year was \$76,097.

***Financial Analysis of the City's Funds***

The combined fund balances of the City's governmental funds as of September 30, 2010, were \$1,586,691. The General Fund decreased by \$337,613. The Cemetery Fund increased by \$25,809. The Park Fund increased by \$83,235. The Library Fund increased by \$574. The Debt Service Fund decreased by \$3. The Capital Projects Fund decreased by \$189,714.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BOWLING GREEN, MISSOURI  
SEPTEMBER 30, 2010**

***General Fund Budgetary Highlights***

**Revenues**

The original revenue budget of \$2,268,267 did not change during the year.

**Expenditures**

The original expenditure budget of \$2,186,368 was increased to \$6,732,449 for anticipated grant expenditures and issuance of a loan.

***Capital Asset and Debt Administration***

**Capital Assets**

Capital assets of the governmental activities were \$9,907,361 (net of accumulated depreciation) as of September 30, 2010. This represents a \$4,507,464 increase from the prior year due primarily to park, street and airport improvements made in the current year. Net capital assets for business-type activities were \$16,395,559 as of September 30, 2010.

**Debt**

Total debt of the governmental activities as of September 30, 2010, was \$5,313,500, which is up from \$1,875,306 in the prior year. The increase is due to the addition of a sales tax agreement for development costs.

Total long and short-term debt of the business-type activities as of September 30, 2010, was \$7,448,946, which is up from \$6,459,681 the prior year. The increase is due primarily to the issuance of interim financing in the amount of \$1,354,790 for the water and sewer project.

***Economic Factors and Next Year's Budget***

The City is expected to grow moderately throughout the coming budget year as jobs, housing and retail show improvement over the previous twelve months. Sales taxes are expected to be strong and once again serve as the primary source of General Fund revenue. The Business Hwy 61 corridor is expected to grow, with the Wal-Mart shopping district having the greatest potential for mass retail development.

With fewer foreclosed homes on the market, housing will continue to rebound and housing prices are expected to increase slightly throughout the year. Housing and retail should both get a boost from True Manufacturing's planned expansion in 2011. The ten million dollar project is expected to add over 200 jobs when completed by the close of the fourth quarter.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BOWLING GREEN, MISSOURI  
SEPTEMBER 30, 2010**

***Economic Factors and Next Year's Budget (continued)***

With an improved local economy the City will continue to repair and replace aging infrastructure, including roads, and water and sewer lines. Using a capital improvement plan the City will identify and rank projects based on preset criteria. Among the projects slated to begin next year are the replacement of water lines (Champ Clark), sidewalks (Court St.), the addition of a one-million gallon water storage tower, and a new ground storage tank. Both will work in tandem when the City connects to the Clarence Cannon Wholesale Water District in the summer of 2011. As a result, for the coming budget year water rates will increase slightly due to the debt service tied to connecting to Clarence Cannon, while improved efficiencies will enable City sewer rates to be lowered.

It's likely the City will be asked to refinance the developer-backed loan that covered the cost of public road improvements for the Wal-Mart project. If so, the City would issue bonds somewhere in the range of three-million to three and one-half million dollars, but if market conditions are favorable, the City could possibly issue bonds of a greater value to finance one or more capital improvement projects.

The City will continue to utilize grants to help cover departmental expenses and to finance capital improvement projects wherever possible. Grants the City will pursue next year include, but are not limited to, grants for new police vests, computers for patrol cars, a fire engine, playground surface material, as well as grants for sidewalks and road surface improvements.

Despite an encouraging forecast for the coming fiscal year the City will continue to balance the needs of a growing city with the need for fiscal responsibility, emphasizing improved efficiencies, economies of scale, and cost savings that don't compromise customer service.

***Contacting the City's Financial Management***

For additional information or questions, please contact any of the following officers at:

City of Bowling Green  
16 W. Church  
Bowling Green, Missouri 63334  
(573) 324-5451

Xavier Bishop, City Administrator  
Barbara Allison, City Clerk

CITY OF BOWLING GREEN, MISSOURI  
STATEMENT OF NET ASSETS  
September 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 904,926	\$ 631,266	\$ 1,536,192
Investments - unrestricted	255,553	-	255,553
Ad valorem taxes receivable, net	68,112	-	68,112
Sales tax receivable	189,155	-	189,155
Utilities receivable, net	-	181,293	181,293
Other accounts receivable	78,440	471	78,911
Court fines receivable	63,090	-	63,090
Accrued interest receivable	4,502	96	4,598
Inventory	-	92,376	92,376
Prepaid expenses	21,855	11,182	33,037
Restricted cash and cash equivalents	175,420	764,608	940,028
Restricted investments	28,198	115,100	143,298
Deferred bond issuance costs	43,008	77,284	120,292
Capital Assets:			
Non-depreciable	1,093,257	2,373,283	3,466,540
Depreciable, net	8,814,104	14,022,276	22,836,380
<b>TOTAL ASSETS</b>	<b>11,739,620</b>	<b>18,269,235</b>	<b>30,008,855</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable	119,032	459,965	578,997
Accrued expenses	17,044	2,071	19,115
Deposits payable	3,032	68,240	71,272
Court bonds payable	362	-	362
Accrued interest payable	33,025	67,016	100,041
Deferred revenue	-	169,041	169,041
Interim financing payable	-	1,354,790	1,354,790
Current maturities of long-term debt	144,000	491,465	635,465
	316,495	2,612,588	2,929,083
<b>Noncurrent</b>			
Revenue bonds payable	1,574,000	5,510,971	7,084,971
Loan payable	3,573,536	91,720	3,665,256
Compensated absences	21,964	-	21,964
	5,169,500	5,602,691	10,772,191
<b>TOTAL LIABILITIES</b>	<b>5,485,995</b>	<b>8,215,279</b>	<b>13,701,274</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,809,442	9,102,745	13,912,187
Restricted	203,256	405,036	608,292
Unrestricted	1,240,927	546,175	1,787,102
<b>TOTAL NET ASSETS</b>	<b>\$ 6,253,625</b>	<b>\$ 10,053,956</b>	<b>\$ 16,307,581</b>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Administrative	\$ (377,959)	\$ 18,013	\$ -	\$ -	\$ (359,946)	\$ -	\$ (359,946)
Public safety	(841,611)	70,733	847	2,895	(767,136)	-	(767,136)
Fire	(34,415)	-	-	-	(34,415)	-	(34,415)
Community center	(17,713)	-	-	-	(17,713)	-	(17,713)
Airport	(64,648)	28,544	-	504,077	467,973	-	467,973
Street	(658,396)	-	-	88,578	(569,818)	-	(569,818)
Emergency preparedness	(1,472)	-	-	-	(1,472)	-	(1,472)
Municipal court	(8,320)	-	-	-	(8,320)	-	(8,320)
Planning and zoning	(62,568)	11,308	-	-	(51,260)	-	(51,260)
Cemetery	(13,789)	5,300	-	-	(8,489)	-	(8,489)
Park	(58,701)	1,400	-	9,952	(47,349)	-	(47,349)
Pool	(18,352)	-	-	-	(18,352)	-	(18,352)
Library	(77,158)	4,940	6,889	-	(65,329)	-	(65,329)
Other	(2,107)	-	-	-	(2,107)	-	(2,107)
Debt service	(91,407)	-	-	-	(91,407)	-	(91,407)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>(2,328,616)</b>	<b>140,238</b>	<b>7,736</b>	<b>605,502</b>	<b>(1,575,140)</b>	<b>-</b>	<b>(1,575,140)</b>
Business-Type Activities							
Water and sewer	(2,340,346)	2,280,953	-	580,959	-	521,566	521,566
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>(2,340,346)</b>	<b>2,280,953</b>	<b>-</b>	<b>580,959</b>	<b>-</b>	<b>521,566</b>	<b>521,566</b>
<b>TOTAL GOVERNMENT</b>	<b>\$ (4,668,962)</b>	<b>\$ 2,421,191</b>	<b>\$ 7,736</b>	<b>\$ 1,186,461</b>	<b>(1,575,140)</b>	<b>521,566</b>	<b>(1,053,574)</b>
General Revenues:							
Ad Valorem taxes					279,466	-	279,466
Sales taxes					1,143,331	-	1,143,331
Motor vehicle taxes					124,536	-	124,536
Other taxes					304,269	-	304,269
Franchise fees					319,438	-	319,438
Interest					7,825	180,851	188,676
Other revenue					49,554	-	49,554
<b>Total General Revenues</b>					<b>2,228,419</b>	<b>180,851</b>	<b>2,409,270</b>
<b>Changes in Net Assets</b>					<b>653,279</b>	<b>702,417</b>	<b>1,355,696</b>
Net Assets, Beginning of year					5,600,346	9,351,539	14,951,885
Net Assets, End of year					<b>\$ 6,253,625</b>	<b>\$ 10,053,956</b>	<b>\$ 16,307,581</b>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS  
September 30, 2010

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents - unrestricted	\$ 333,095	\$ 61,358	\$ 278,999	\$ 37,857	\$ -	\$ 193,617	\$ 904,926
Investments - unrestricted	250,000	-	-	5,553	-	-	255,553
Ad valorem taxes receivable, net	46,502	7,222	-	14,388	-	-	68,112
Sales tax receivable	165,765	-	23,390	-	-	-	189,155
Other accounts receivable	78,435	-	-	5	-	-	78,440
Court fines receivable	63,090	-	-	-	-	-	63,090
Accrued interest receivable	4,469	27	-	6	-	-	4,502
Prepaid expenses	19,194	573	1,313	775	-	-	21,855
Due from other funds	-	-	41,767	-	-	-	41,767
Restricted cash and cash equivalents	75,410	-	-	-	100,010	-	175,420
Restricted investments	-	28,198	-	-	-	-	28,198
<b>TOTAL ASSETS</b>	<b>\$ 1,035,960</b>	<b>\$ 97,378</b>	<b>\$ 345,469</b>	<b>\$ 58,584</b>	<b>\$ 100,010</b>	<b>\$ 193,617</b>	<b>\$ 1,831,018</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 118,970	\$ -	\$ 18	\$ 44	\$ -	\$ -	\$ 119,032
Accrued expenses	15,844	-	8	1,192	-	-	17,044
Due to other funds	39,399	-	-	2,368	-	-	41,767
Court bonds payable	362	-	-	-	-	-	362
Deposits payable	3,032	-	-	-	-	-	3,032
Deferred revenue	63,090	-	-	-	-	-	63,090
<b>TOTAL LIABILITIES</b>	<b>240,697</b>	<b>-</b>	<b>26</b>	<b>3,604</b>	<b>-</b>	<b>-</b>	<b>244,327</b>
<b>Fund Balances</b>							
<b>Reserved for:</b>							
Cemetery	-	28,198	-	-	-	-	28,198
Debt service	75,048	-	-	-	100,010	-	175,058
<b>Unreserved, reported in:</b>							
General Fund	720,215	-	-	-	-	-	720,215
Special Revenue Fund	-	69,180	345,443	54,980	-	-	469,603
Capital Projects Fund	-	-	-	-	-	193,617	193,617
<b>TOTAL FUND BALANCES</b>	<b>795,263</b>	<b>97,378</b>	<b>345,443</b>	<b>54,980</b>	<b>100,010</b>	<b>193,617</b>	<b>1,586,691</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,035,960</b>	<b>\$ 97,378</b>	<b>\$ 345,469</b>	<b>\$ 58,584</b>	<b>\$ 100,010</b>	<b>\$ 193,617</b>	<b>\$ 1,831,018</b>

See accompanying notes.



CITY OF BOWLING GREEN, MISSOURI  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
 NET ASSETS  
 September 30, 2010

Fund balance - total governmental funds	\$ 1,586,691
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	11,998,968
Less accumulated depreciation	<u>(2,091,607)</u>
	9,907,361
Adjustment of deferred revenue	63,090
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(33,025)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(5,313,500)
Unamortized issuance costs on bonds	<u>43,008</u>
Net assets of governmental activities	<u><u>\$ 6,253,625</u></u>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
 Year Ended September 30, 2010

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 1,909,175	\$ 33,703	\$ 161,170	\$ 66,992	\$ -	\$ -	\$ 2,171,040
Licenses and permits	21,972	-	-	-	-	-	21,972
Intergovernmental revenues	595,550	-	9,952	4,408	-	-	609,910
Charges for services	30,669	5,300	1,400	4,940	-	-	42,309
Fines and forfeitures	63,969	-	-	-	-	-	63,969
Miscellaneous	60,844	595	767	5,491	15	38	67,750
<b>TOTAL REVENUES</b>	<b>2,682,179</b>	<b>39,598</b>	<b>173,289</b>	<b>81,831</b>	<b>15</b>	<b>38</b>	<b>2,976,950</b>
<b>EXPENDITURES</b>							
<b>Current</b>							
Administrative	366,435	-	-	-	-	-	366,435
Public safety	838,593	-	-	-	-	6,023	844,616
Fire	28,791	-	-	-	-	-	28,791
Community center	15,256	-	-	-	-	-	15,256
Airport	605,987	-	-	-	-	-	605,987
Street	4,585,549	-	-	-	-	-	4,585,549
Emergency preparedness	1,472	-	-	-	-	-	1,472
Municipal court	8,320	-	-	-	-	-	8,320
Planning and zoning	62,568	-	-	-	-	-	62,568
Cemetery	-	13,789	-	-	-	-	13,789
Park	-	-	50,163	-	-	183,729	233,892
Pool	-	-	18,352	-	-	-	18,352
Library	-	-	-	75,426	-	-	75,426
Other	2,107	-	-	-	-	-	2,107
<b>Debt Service</b>							
Principal and interest	-	-	-	-	221,744	-	221,744
Agent fees	6,439	-	-	-	-	-	6,439
<b>TOTAL EXPENDITURES</b>	<b>6,521,517</b>	<b>13,789</b>	<b>68,515</b>	<b>75,426</b>	<b>221,744</b>	<b>189,752</b>	<b>7,090,743</b>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended September 30, 2010

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(3,839,338)	25,809	104,774	6,405	(221,729)	(189,714)	(4,113,793)
OTHER FINANCING SOURCES (USES)							
Loan proceeds	3,696,081	-	-	-	-	-	3,696,081
Operating transfers in (out)	(194,356)	-	(21,539)	(5,831)	221,726	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,501,725	-	(21,539)	(5,831)	221,726	-	3,696,081
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(337,613)	25,809	83,235	574	(3)	(189,714)	(417,712)
FUND BALANCE, October 1	1,132,876	71,569	262,208	54,406	100,013	383,331	2,004,403
FUND BALANCE, September 30	<u>\$ 795,263</u>	<u>\$ 97,378</u>	<u>\$ 345,443</u>	<u>\$ 54,980</u>	<u>\$ 100,010</u>	<u>\$ 193,617</u>	<u>\$ 1,586,691</u>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2010

Net change in fund balances - total governmental funds \$ (417,712)

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

Governmental funds report capital outlays as expenditures. However, in the statement  
 of activities the cost of these assets is allocated over their estimated useful lives on a  
 straight line basis and reported as depreciation expense. The following is the detail  
 of the amount by which capital outlays exceeded depreciation for the year:

Capital assets	4,681,980
Depreciation	(174,516)
	<u>4,507,464</u>

Some revenues reported in the governmental funds represent current financial  
 resources and were recognized in the statement of activities when earned. 4,945

Some expenditures reported in the governmental funds represent the use  
 of current financial resources and were recognized in the statement of  
 activities when incurred. (4,658)

The issuance of long-term debt provides current financial resources to governmental  
 funds. The repayment of the principal of long-term debt is a use of current  
 financial resources of governmental funds. Also, governmental funds report  
 the effect of issuance costs and similar items when debt is issued, whereas  
 these amounts are deferred and amortized in the statement of activities. In  
 the statement of activities, interest is accrued on outstanding debt whereas, in  
 the governmental funds, an interest expenditure is reported when due. The  
 following is the detail of the net effect of these differences.

Loan proceeds	(3,696,081)
Repayment of principal on bonds and loans	262,545
Bond issuance costs	(5,295)
Accrued interest payable	2,071
	<u>(3,436,760)</u>

Change in net assets of governmental activities \$ 653,279

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI  
STATEMENT OF NET ASSETS – PROPRIETARY FUND  
September 30, 2010

	<u>Enterprise Fund</u>
	<u>Water and</u>
	<u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 631,266
Utilities receivable, net	181,293
Other accounts receivable	471
Accrued interest receivable	96
Inventory	92,376
Prepaid expenses	11,182
	<hr/>
TOTAL CURRENT ASSETS	916,684
Restricted Assets	
Cash and cash equivalents	764,608
Investments	115,100
	<hr/>
TOTAL RESTRICTED ASSETS	879,708
Deferred Bond Issuance Costs	77,284
Property, Plant and Equipment	
Land	203,630
Construction in progress	2,169,653
Water and sewer system	18,263,430
Pumping and purification	1,774,006
Lake	1,390,711
	<hr/>
	23,801,430
Less accumulated depreciation	(7,405,871)
	<hr/>
TOTAL PROPERTY, PLANT AND EQUIPMENT	16,395,559
	<hr/>
TOTAL ASSETS	18,269,235
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable	459,965
Accrued expenses	2,071
Deposits payable	68,240
Accrued interest payable	67,016
Deferred revenue	169,041
Interim financing payable	1,354,790
Current maturities of long-term debt	491,465
	<hr/>
TOTAL CURRENT LIABILITIES	2,612,588
Long-Term Liabilities	
Revenue bonds payable	5,510,971
Loan payable	91,720
	<hr/>
TOTAL LONG-TERM LIABILITIES	5,602,691
	<hr/>
TOTAL LIABILITIES	8,215,279
Net Assets	
Invested in capital assets, net of related debt	9,102,745
Restricted	405,036
Unrestricted	546,175
	<hr/>
TOTAL NET ASSETS	<u>\$ 10,053,956</u>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUND  
Year Ended September 30, 2010

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 2,162,129
Miscellaneous	118,824
	<hr/>
TOTAL OPERATING REVENUES	2,280,953
OPERATING EXPENSES	
Administration	147,682
Legal and professional	24,439
Service agreement	808,447
Purchased services	2,349
Utilities	156,787
Maintenance	70,229
Supplies	208,884
Insurance	31,987
Depreciation	549,284
Miscellaneous	8,643
	<hr/>
TOTAL OPERATING EXPENSES	2,008,731
	<hr/>
OPERATING INCOME	272,222
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	580,959
Interest income	180,851
Interest expense	(331,615)
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	430,195
	<hr/>
NET INCOME	702,417
NET ASSETS, October 1	9,351,539
	<hr/>
NET ASSETS, September 30	<u>\$ 10,053,956</u>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
Year Ended September 30, 2010

	Enterprise Fund
	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,300,563
Cash paid to suppliers	<u>(1,474,620)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>825,943</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of fixed assets	(1,956,030)
Interim financing proceeds	1,354,790
Loan proceeds	114,650
Grant proceeds	750,000
Payment of bond and loan principal	(486,465)
Payment of interest expense	<u>(321,216)</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(544,271)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received on investments	180,851
Maturity of investments	<u>302,896</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>483,747</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>765,419</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>630,455</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<b>1,395,874</b>
<b>LESS RESTRICTED CASH AND CASH EQUIVALENTS</b>	<u>764,608</u>
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 631,266</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 272,222
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	549,284
(Increase) decrease in:	
Utilities receivable	7,956
Inventory	(1,458)
Prepaid expenses	(584)
Other receivables	8,934
Increase (decrease) in:	
Accounts payable	(12,522)
Accrued expenses	(609)
Deposits payable	<u>2,720</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 825,943</u></u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bowling Green, Missouri, (the City) was incorporated in 1857 under the provisions of the State of Missouri. The City operates under a Board of Aldermen-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning, and general administrative services. Other services include water and sewer operations.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB Section 1600.131 (Accrual Basis in Proprietary Fund Statements), the proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that the entity described in the following paragraph meets the above criteria and therefore, has been included as a component unit in the City's basic financial statements.



NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Component Unit

The City of Bowling Green Municipal Assistance Corporation is a not-for-profit corporation organized for the purpose of benefiting and carrying out the purpose of providing funds to acquire, purchase, construct and install certain projects, and to lease or sell such projects to others. The City of Bowling Green Municipal Assistance Corporation is governed by a six-member board appointed by the City. Although the City is not legally responsible for the debt of the municipal assistance corporation, the corporation's sole source of revenue is from lease payments from the City.

In conformity with accounting principles generally accepted in the United States of America the financial statements of the component unit have been included in the financial reporting entity as a blended component unit.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Assets and the Statement of Activities) and fund financial statements.

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*FUND FINANCIAL STATEMENTS*

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Cemetery Fund: The Cemetery Fund of the City is used to account for resources restricted for operations of the City cemetery.

Park Fund: The Park Fund of the City is used to account for resources restricted for operations of the City park.

Library Fund: The Library Fund of the City is used to account for resources restricted for operations of the City library.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of governmental long-term debt principal, interest, and related costs. The Debt Service Fund consists of the City of Bowling Green Municipal Assistance Corporation Debt Service Fund.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for acquisition or construction of major capital assets. The Capital Projects Fund of the City of Bowling Green is the City of Bowling Green Municipal Assistance Corporation Project Fund.

CITY OF BOWLING GREEN, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary fund:

Water and Sewer Fund: The Water and Sewer Fund accounts for the activities and capital improvements of the City's water and sewer operations.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on 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.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the city elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Distribution system	20 to 100 years
Buildings and improvements	50 years
Purification	20 to 50 years
Machinery and equipment	5 to 15 years
Infrastructure	35 to 50 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unreserved Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory usage is recognized on the consumption method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Fund is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 835-20 – *The Amount Interest Cost to be Capitalized in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Compensated Absences

Employees earn vacation time based on the number of years service to the City. Outstanding vacation is payable on termination of employment. Compensated absences are recorded as a liability in the Statement of Net Assets.

CITY OF BOWLING GREEN, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after September 30 of that year.

Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

*Invested in Capital Assets, Net of Related Debt* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

*Unrestricted* – This consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the city first applies restricted net assets.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2010, all bank balances on deposit are entirely insured or collateralized.

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE C – INVESTMENTS

Investments of the City as of September 30, 2010, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	10/23/2010 - 3/16/2011	<u>\$ 398,851</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2010, all certificates of deposit are entirely insured or collateralized with securities.

The City does not have a policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

General Fund

Cash and cash equivalents have been restricted in the amount of \$362 for outstanding court bonds. Cash and cash equivalents have been restricted and fund balance/net assets reserved in the amount of \$75,048 for future debt service payments on the loan resulting from the Sales Tax Reimbursement Agreement.

Debt Service Fund

Cash and cash equivalents have been restricted and fund balance/net assets reserved in the amount of \$100,010 for principal and interest payments on debt.

Cemetery Fund

Investments have been restricted and fund balance/net assets reserved in the amount of \$28,198 for perpetual care expenditures.

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE D – RESTRICTED ASSETS (continued)

Capital Projects Fund

Cash and cash equivalents have been restricted in the amount of \$193,617 for construction projects.

Water and Sewer Fund

The 2003B Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Ordinance and the 2003C Combined Waterworks and Sewerage System Refunding Revenue Bonds Ordinance (State Revolving Fund Program) established amounts required to be deposited in certain sinking and reserve funds. All required deposits have been made. These special cash reserves are reported in the accompanying balance sheet as restricted cash and investments, and restricted net assets. Restricted cash and investments also include cash restricted for customer deposits, bond proceeds and grant funds. These restrictions are as follows:

	<u>Enterprise Fund</u>	
	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
2003B Revenue Bonds		
Principal and interest	\$ 80,773	\$ 80,773
Operation and maintenance	57,550	57,550
Bond proceeds	150,357	-
Depreciation and replacement	93,924	93,924
2003C Revenue Bonds		
Bond proceeds	5,775	-
Principal and interest	66,123	66,123
Operation and maintenance	57,550	57,550
Depreciation and replacement	49,116	49,116
DNR Grant	250,000	-
USDA Interim Financing Proceeds	300	-
Utility Deposits	68,240	-
	<u>\$ 879,708</u>	<u>\$ 405,036</u>

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of an allowance for doubtful accounts as follows:

	Gross Receivable	Allowance	Net Receivable
<b>AD VALOREM TAXES RECEIVABLE</b>			
General Fund	\$ 52,667	\$ 6,165	\$ 46,502
Cemetery Fund	8,202	980	7,222
Library Fund	16,361	1,973	14,388
	<u>\$ 77,230</u>	<u>\$ 9,118</u>	<u>\$ 68,112</u>
<b>UTILITIES RECEIVABLE</b>			
Water and Sewer Fund	<u>\$ 182,704</u>	<u>\$ 1,411</u>	<u>\$ 181,293</u>

NOTE F – SHORT-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Short-term debt for the Water and Sewer Fund consists of interim financing notes through USDA Rural Development in the amount of \$1,354,790. The total amount authorized is \$3,498,000 and is being used as interim construction financing to fund the improvements to the water and sewer system of the City. The obligation is due at the completion of construction. The loan bears interest at 4.0%. Permanent financing will be obtained from USDA Rural Development through the issuance of bonds at the completion of the construction project.

Changes in short-term debt for the Water and Sewer Fund during the current year were as follows:

	Balance September 30, 2009	New Obligations	Retired	Balance September 30, 2010
Interim Financing Payable - USDA Rural Development	<u>\$ -</u>	<u>\$ 1,354,790</u>	<u>\$ -</u>	<u>\$ 1,354,790</u>



CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt of the City of Bowling Green consists of the 2004A Leasehold Revenue Refunding Bonds, 2004B Leasehold Revenue Bonds, a loan payable and compensated absences.

Leasehold Revenue Bonds

On September 29, 2004, the City of Bowling Green Municipal Assistance Corporation issued \$865,000 in Leasehold Revenue Refunding Bonds due in varying annual installments through November 1, 2014, with interest at 2.00% to 4.45% due on May 1 and November 1 of each year. Bonds maturing on November 1, 2013, and thereafter are callable on November 1, 2012, under various terms of the bond ordinances.

\$ 469,000

Principal and interest payments are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 87,000	\$ 17,821	\$ 104,821
2012	90,000	14,368	104,368
2013	93,000	10,638	103,638
2014	98,000	6,602	104,602
2015	101,000	2,247	103,247
	<u>\$ 469,000</u>	<u>\$ 51,676</u>	<u>\$ 520,676</u>

On September 29, 2004, the City of Bowling Green Municipal Assistance Corporation issued \$1,502,000 in Leasehold Revenue Bonds due in varying annual installments through November 1, 2024, with interest at 2.00% to 5.20%, due on May 1 and November 1 of each year. Bonds maturing on November 1, 2013, and thereafter are callable on November 1, 2012, under various terms of the bond ordinances.

\$ 1,249,000

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2011	\$ 57,000	\$ 58,703	\$ 115,703
2012	59,000	56,440	115,440
2013	63,000	53,952	116,952
2014	64,000	51,269	115,269
2015	67,000	48,402	115,402
2016	72,000	45,292	117,292
2017	74,000	41,970	115,970
2018	78,000	38,415	116,415
2019	80,000	34,642	114,642
2020	85,000	30,661	115,661
2021	90,000	26,260	116,260
2022	95,000	21,450	116,450
2023	99,000	16,406	115,406
2024	105,000	11,102	116,102
2025	161,000	4,186	165,186
	<u>\$ 1,249,000</u>	<u>\$ 539,150</u>	<u>\$ 1,788,150</u>

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

Loan Payable

During 2008, the City entered into a Sales Tax Reimbursement Agreement with Bowling Green Town Center, LLC (“Developer”). During the current year, the project was completed and the City began repayment. The purpose of the agreement is to have the Developer construct a shopping center, which will improve the economic welfare of the City by enhancing the tax base, and improve certain public infrastructure within the City. Per the agreement, the City is to reimburse the Developer for a predetermined portion of the costs of such improvements. Quarterly payments are the lesser of 85% of tax revenue generated from Wal-Mart or 140% of the rental payments due under the lease. Five year maturities for principal and interest are not presented since the future revenue from taxes and principal payments will vary from year to year. As of September 30, 2010, the total outstanding balance on the loan is \$3,573,536.

The following table is a summary of the changes in the Long-Term Debt – Governmental Activities:

	Balance September 30, 2009	New Obligations	Retired	Balance September 30, 2010	Amounts Due Within One Year
Leasehold Revenue Bonds	\$ 1,858,000	\$ -	\$ 140,000	\$ 1,718,000	\$ 144,000
Loan Payable	-	3,696,081	122,545	3,573,536	-
Compensated Absences	17,306	4,658	-	21,964	-
	<u>\$ 1,875,306</u>	<u>\$ 3,700,739</u>	<u>\$ 262,545</u>	<u>\$ 5,313,500</u>	<u>\$ 144,000</u>

NOTE H – LONG-TERM DEBT – BUSINESS TYPE ACTIVITIES

Long-term debt in the Water and Sewer Fund consists of the 2003B Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program), 2003C Combined Waterworks and Sewerage System Refunding Revenue Bonds (State Revolving Fund Program) and a loan payable.

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE H – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

2003B Combined Waterworks and Sewerage System Revenue Bonds

In November 2003, the City entered into an agreement with the Missouri Leveraged State Water Pollution Control Revolving Fund Program to sell \$5,560,000 in Combined Waterworks and Sewerage System Revenue Bonds, Series 2003B. The bonds bear interest at 2.0% to 5.0%. The interest paid is offset by an interest subsidy from the State of Missouri's 50% bond reserves. Interest payments are due semi-annually on January 1 and July 1 of each year with annual principal payments due July 1 of each year. The bonds also require an administrative fee payable annually on July 1 of each year at .714% of the outstanding principal balance.

The annual debt service requirements to amortize the principal on the 2003B revenue bonds outstanding at September 30, 2010, are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2011	\$ 250,000	\$ 198,295	\$ 30,845	\$ 479,140
2012	250,000	190,045	29,060	469,105
2013	255,000	181,295	27,275	463,570
2014	260,000	171,860	25,454	457,314
2015	265,000	158,860	23,598	447,458
2016	275,000	145,610	21,706	442,316
2017	275,000	134,610	19,742	429,352
2018	285,000	120,860	17,779	423,639
2019	290,000	106,610	15,744	412,354
2020	300,000	92,110	13,673	405,783
2021	305,000	78,910	11,531	395,441
2022	315,000	63,660	9,353	388,013
2023	325,000	47,910	7,104	380,014
2024	330,000	31,660	4,784	366,444
2025	340,000	16,150	2,428	358,578
	<u>\$ 4,320,000</u>	<u>\$ 1,738,445</u>	<u>\$ 260,076</u>	<u>\$ 6,318,521</u>

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE H – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

2003C Combined Waterworks and Sewerage System Refunding Revenue Bonds

In November 2003, the City entered into an agreement with the Missouri Leveraged State Water Pollution Control Revolving Fund Program to sell \$3,160,000 in Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2003C. The bonds bear interest at 2.0% to 5.0%. The interest paid is offset by an interest subsidy from the State of Missouri's 50% bond reserves. Interest payments are due semi-annually on January 1 and July 1 of each year with annual principal payments due July 1 of each year. The bonds also require an administrative fee payable annually on January 1 of each year at 1.0% of the outstanding principal balance.

The annual debt service requirements to amortize the principal on the 2003C revenue bonds outstanding at September 30, 2010, are listed in the following table:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative</u> <u>Fee</u>	<u>Total</u>
2011	\$ 230,000	\$ 69,770	\$ 17,150	\$ 316,920
2012	235,000	62,180	14,850	312,030
2013	235,000	53,955	12,500	301,455
2014	245,000	45,260	10,150	300,410
2015	250,000	35,950	7,700	293,650
2016	255,000	23,450	5,200	283,650
2017	265,000	13,250	2,650	280,900
	<u>\$ 1,715,000</u>	<u>\$ 303,815</u>	<u>\$ 70,200</u>	<u>\$ 2,089,015</u>

Loan Payable

During the current year, the City entered into an agreement with Alliance Water Resources, Inc. for upgrades to the aeration system at the City's waste water treatment plant in the amount of \$114,650. The agreement requires annual payments of \$11,465, including interest of 4.0%.

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE H – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
2011	\$ 11,465	\$ 4,127	\$ 15,592
2012	11,465	3,669	15,134
2013	11,465	3,210	14,675
2014	11,465	2,752	14,217
2015	11,465	2,293	13,758
2016	11,465	1,834	13,299
2017	11,465	1,376	12,841
2018	11,465	917	12,382
2019	11,465	459	11,924
	<u>\$ 103,185</u>	<u>\$ 20,637</u>	<u>\$ 123,822</u>

The following table is a summary of the changes in the business-type activities long-term debt for the year ended September 30, 2010:

	Balance September 30, 2009	New Obligations	Retirements	Balance September 30, 2010	Amounts Due Within One Year
Revenue Bonds Payable	\$ 6,510,000	\$ -	\$ 475,000	\$ 6,035,000	\$ 480,000
Less: Deferred loss on bond refunding	(50,319)	-	(6,290)	(44,029)	-
	6,459,681	-	468,710	5,990,971	480,000
Note payable	-	114,650	11,465	103,185	11,465
	<u>\$ 6,459,681</u>	<u>\$ 114,650</u>	<u>\$ 480,175</u>	<u>\$ 6,094,156</u>	<u>\$ 491,465</u>

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE I – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance September 30, 2009	Additions	Deletions	Balance September 30, 2010
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 535,031	\$ 558,226	\$ -	\$ 1,093,257
Depreciable capital assets				
Building and improvements	2,177,770	\$ 151,543	\$ -	2,329,313
Machinery and equipment	946,700	82,411	16,854	1,012,257
Infrastructure	3,657,487	3,906,654	-	7,564,141
Total Depreciable Capital Assets	6,781,957	\$ 4,140,608	\$ 16,854	10,905,711
Less Accumulated Depreciation				
Buildings and improvements	267,823	\$ 44,051	\$ -	311,874
Machinery and equipment	563,585	73,480	16,152	620,913
Infrastructure	1,085,683	73,137	-	1,158,820
Total Accumulated Depreciation	1,917,091	\$ 190,668	\$ 16,152	2,091,607
Total Depreciable Capital Assets, net	4,864,866			8,814,104
Total Governmental Activities Capital Assets, net	\$ 5,399,897			\$ 9,907,361

Depreciation expense for governmental activities was charged to functions as follows:

Administration	\$ 11,524
Community center	2,457
Library	1,732
Public safety	19,733
Fire	5,624
Park	15,090
Airport	16,887
Street	117,621
	<u>\$ 190,668</u>

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE I – CAPITAL ASSETS (continued)

	Balance September 30, 2009	Additions	Deletions	Balance September 30, 2010
<b>Business-Type Activities</b>				
Non-depreciable assets				
Land	\$ 203,630	\$ -	\$ -	\$ 203,630
Construction-in-progress	-	2,169,653	-	2,169,653
Total non-depreciable assets	203,630	<u>\$ 2,169,653</u>	<u>\$ -</u>	2,373,283
Depreciable assets				
Water and sewer system	18,143,586	\$ 120,344	\$ 500	18,263,430
Pumping and purification	1,664,523	109,483	-	1,774,006
Lake	1,390,711	-	-	1,390,711
Total depreciable assets	21,198,820	<u>\$ 229,827</u>	<u>\$ 500</u>	21,428,147
Less accumulated depreciation	6,857,087	<u>\$ 549,284</u>	<u>\$ 500</u>	7,405,871
Depreciable Capital Assets, net	<u>14,341,733</u>			<u>14,022,276</u>
Total Capital Assets				
Business-Type Activities, net	<u>\$ 14,545,363</u>			<u>\$ 16,395,559</u>

NOTE J – EMPLOYEE PENSION PLAN

Plan Description

The City of Bowling Green participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute Section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.



CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE J – EMPLOYEE PENSION PLAN (continued)

Funding Status

Full-time employees of the City of Bowling Green do not contribute to the pension plan. The June 30<sup>th</sup> statutorily required contribution rates are 0.4% (General) and 0.4% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 2,333
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>2,333</u>
Actual contributions	<u>2,333</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2007, and February 29, 2008, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2007, was 15 years for the General division and 15 years for the Police division. The amortization period as of February 29, 2008, was 15 years for the General division and 15 years for the Police division.

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE J – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information			
Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 2,468	100%	\$ -
2009	2,427	100%	-
2010	2,333	100%	-

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/2010	\$ 946,272	\$ 684,683	\$ (261,589)	138%	\$ 592,654	0%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE K – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property and the tax levies per \$100 assessed valuation of that property were as follows:

	2009
Assessed Valuation	
Real estate	\$ 26,048,990
Personal property	5,488,261
<b>TOTAL</b>	<b>\$ 31,537,251</b>

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE K – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (continued)

	<u>2009</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$ .5977
Cemetery Fund	.0922
Library Fund	.1843
	<u>          </u>
TOTAL	<u>\$ .8742</u>

The legal debt margin at September 30, 2010, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 3,153,725	\$ 3,153,725	\$ 6,307,450
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 3,153,725</u>	<u>\$ 3,153,725</u>	<u>\$ 6,307,450</u>

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights of way, constructing, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

CITY OF BOWLING GREEN, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

NOTE L – DEFERRED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include court fines to be collected over several years. All of the deferred revenue at September 30, 2010, is accounted for as follows:

General Fund	
Deferred court fines	<u>\$        63,090</u>

NOTE M – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE N – DEFERRED BOND ISSUE COSTS

The deferred bond issuance costs for business-type activities consist of the 2003C Combined Waterworks and Sewerage System Refunding Revenue Bonds and the 2003B Combined Waterworks and Sewerage System Revenue Bonds. The issuance costs will be amortized as an adjustment to interest expense using straight-line amortization over the lives of the issues ranging from 14 to 22 years.

The deferred bond issuance costs for governmental activities consist of the 2004A Leasehold Revenue Refunding Bonds and the Series 2004B Leasehold Revenue Bonds. The issuance costs will be amortized as an adjustment to interest expense using straight-line amortization over the lives of the issues ranging from 10 to 20 years.

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE N – DEFERRED BOND ISSUE COSTS (continued)

These deferred bond issue costs are presented net of current amortization as follows:

	Total Bond Issue Costs	Accumulated Amortization September 30, 2009	Current Amortization	Net Bond Issue Costs
Business-Type Activities	\$ 130,989	\$ 46,033	\$ 7,672	\$ 77,284
Governmental Activities	\$ 74,773	\$ 26,470	\$ 5,295	\$ 43,008

NOTE O – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2010, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 194,356
Park Fund	-	21,539
Library Fund	-	5,831
Debt Service Fund	221,726	-
	<u>\$ 221,726</u>	<u>\$ 221,726</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF BOWLING GREEN, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2010

NOTE P – INTERNAL BALANCES

Internal balances as of September 30, 2010, consisted of the following:

	General Fund	Park Fund	Library Fund
Internal balances	\$ (39,399)	\$ 41,767	\$ (2,368)

During the course of its operations, the City has numerous transactions between funds to finance operation, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2010, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE Q – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of September 30, 2010, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE R – BOND ORDINANCES

On November 7, 1995, the City passed a \$9,640,000 bond issue for the purpose of acquiring, constructing, extending, improving, furnishing and equipping the City's combined waterworks and sewerage system. As of September 30, 2010, \$1,420,000 remains to be issued. On August 7, 2007, the City passed a \$3,000,000 bond issue for the same purposes. As of September 30, 2010, these bonds have not been issued.

NOTE S – COMMITMENTS

At September 30, 2010, the City had the following commitments:

- Crawford, Murphy & Tilly, Inc. in the amount of \$11,694 for engineering services related to the airport project.
- Alliance Water Resource, Inc. in the amount of \$1,177,544 for professional services which include providing management, operation, and maintenance of the water and sewer system during fiscal year 2011.
- Mick Mehler and Sons, Inc. for waterworks and wastewater system improvements in the amount of \$232,063.
- Huey Construction Co. for waterworks and wastewater system improvements in the amount of \$44,650.
- Natgun Corporation for waterworks and wastewater system improvements in the amount of \$111,915.
- Gerard Tank & Steel for water system improvements in the amount of \$1,534,090.
- The Lang Gang, Inc. for mapping services in the amount of \$42,250.
- The City approved obtaining \$3,498,000 in interim financing through USDA Rural Development as an advance of funds to be provided through issuance of the bond ordinances passed in 1995 and 2007 by the Citizens of the City. As of September 30, 2010, \$1,354,790 of the interim financing had been issued.

NOTE T – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the 2003B and 2003C Combined Waterworks and Sewerage Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water customer net revenues and are payable through 2025. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$8,077,260. Principal and interest paid for the current year and total customer net revenues were \$757,315 and \$821,506, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**



CITY OF BOWLING GREEN, MISSOURI  
 SCHEDULE OF FUNDING PROGRESS  
 Year Ended September 30, 2010

**Missouri Local Government Employees Retirement System (LAGERS)**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/29/2008	\$ 1,152,859	\$ 539,065	\$ (613,794)	214%	\$ 457,049	0%
02/28/2009	923,073	637,868	(285,205)	145%	563,495	0%
02/28/2010	946,272	684,683	(261,589)	138%	592,654	0%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF BOWLING GREEN, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
Ad valorem taxes	\$ 195,482	\$ 195,482	\$ 191,074	\$ (4,408)
City sales tax	613,000	613,000	659,820	46,820
Transportation sales tax	262,000	262,000	322,341	60,341
Financial institution tax	3,000	3,000	4	(2,996)
Railroad and utility tax	20,000	20,000	21,925	1,925
Surtax	4,000	4,000	4,214	214
Utility franchise tax	309,500	309,500	319,438	9,938
Motor vehicle tax	135,000	135,000	124,536	(10,464)
Payment in lieu of taxes	200,000	200,000	200,000	-
Lodging tax	45,000	45,000	42,380	(2,620)
Cigarette tax	20,000	20,000	23,443	3,443
	<u>1,806,982</u>	<u>1,806,982</u>	<u>1,909,175</u>	<u>102,193</u>
Licenses and Permits				
Occupational licenses	9,000	9,000	9,199	199
Building permits	12,000	12,000	12,313	313
Animal license and fees	600	600	460	(140)
	<u>21,600</u>	<u>21,600</u>	<u>21,972</u>	<u>372</u>
Intergovernmental Revenues				
Airport grant	-	-	504,077	504,077
Street grant	-	-	88,578	88,578
Police grant	5,000	5,000	2,895	(2,105)
	<u>5,000</u>	<u>5,000</u>	<u>595,550</u>	<u>590,550</u>
Charges for Services				
Printing	-	-	285	285
Airport fuel	-	-	22,774	22,774
Trash billing	125,000	125,000	7,525	(117,475)
Towing fees	1,500	1,500	85	(1,415)
	<u>126,500</u>	<u>126,500</u>	<u>30,669</u>	<u>(95,831)</u>
Fines and Forfeitures				
City court fines	65,000	65,000	63,969	(1,031)
Miscellaneous				
Rents and royalties	11,378	11,378	10,517	(861)
Interest	20,000	20,000	5,916	(14,084)
Donations	-	-	1,000	1,000
Other	211,807	211,807	43,411	(168,396)
	<u>243,185</u>	<u>243,185</u>	<u>60,844</u>	<u>(182,341)</u>
<b>TOTAL REVENUES</b>	<u>2,268,267</u>	<u>2,268,267</u>	<u>2,682,179</u>	<u>413,912</u>

CITY OF BOWLING GREEN, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)  
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>EXPENDITURES</b>				
Current				
Administrative	474,782	525,682	366,435	159,247
Public safety	843,936	853,411	838,593	14,818
Fire	31,500	31,500	28,791	2,709
Community center	14,636	14,636	15,256	(620)
Airport	14,042	603,268	605,987	(2,719)
Street	721,009	4,617,489	4,585,549	31,940
Emergency preparedness	1,495	1,495	1,472	23
Municipal court	13,420	13,420	8,320	5,100
Planning and zoning	65,548	65,548	62,568	2,980
Other	2,000	2,000	2,107	(107)
Debt Service				
Agent fees	4,000	4,000	6,439	(2,439)
TOTAL EXPENDITURES	<u>2,186,368</u>	<u>6,732,449</u>	<u>6,521,517</u>	<u>210,932</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	81,899	(4,464,182)	(3,839,338)	624,844
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease proceeds	-	3,696,081	3,696,081	-
Operating transfers in (out)				
Debt Service Fund	(104,965)	(104,965)	(194,356)	(89,391)
Cemetery Fund	30,700	30,700	-	(30,700)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(74,265)</u>	<u>3,621,816</u>	<u>3,501,725</u>	<u>(120,091)</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>				
	7,634	(842,366)	(337,613)	504,753
FUND BALANCE, October 1	<u>1,132,876</u>	<u>1,132,876</u>	<u>1,132,876</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 1,140,510</u>	<u>\$ 290,510</u>	<u>\$ 795,263</u>	<u>\$ 504,753</u>

CITY OF BOWLING GREEN, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND  
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
Ad valorem taxes and penalties	\$ 27,951	\$ 27,951	\$ 29,474	\$ 1,523
Financial institution tax	50	50	1	(49)
Railroad and utility tax	3,200	3,200	3,569	369
Surtax	500	500	659	159
	<u>31,701</u>	<u>31,701</u>	<u>33,703</u>	<u>2,002</u>
Charges for services				
Sale of lots	5,000	5,000	5,300	300
Miscellaneous				
Donations	450	450	-	(450)
Interest	2,000	2,000	595	(1,405)
	<u>2,450</u>	<u>2,450</u>	<u>595</u>	<u>(1,855)</u>
TOTAL REVENUES	39,151	39,151	39,598	447
<b>EXPENDITURES</b>				
Cemetery	39,141	39,141	13,789	25,352
TOTAL EXPENDITURES	<u>39,141</u>	<u>39,141</u>	<u>13,789</u>	<u>25,352</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	10	10	25,809	25,799
FUND BALANCE, October 1	<u>71,569</u>	<u>71,569</u>	<u>71,569</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 71,579</u>	<u>\$ 71,579</u>	<u>\$ 97,378</u>	<u>\$ 25,799</u>

CITY OF BOWLING GREEN, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – PARK FUND  
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
Sales taxes	\$ 100,000	\$ 100,000	\$ 161,170	\$ 61,170
Intergovernmental Revenues				
Safe routes to school grant	-	-	9,952	9,952
Charges for Services				
League and tournament fees	-	-	1,400	1,400
Miscellaneous				
Interest	2,000	2,000	767	(1,233)
Other	270,501	270,501	-	(270,501)
TOTAL REVENUES	372,501	372,501	173,289	(199,212)
<b>EXPENDITURES</b>				
Park	328,198	328,198	50,163	278,035
Pool	12,375	12,375	18,352	(5,977)
TOTAL EXPENDITURES	340,573	340,573	68,515	272,058
EXCESS OF REVENUES OVER EXPENDITURES	31,928	31,928	104,774	72,846
<b>OTHER FINANCING (USES)</b>				
Operating transfers (out)				
Debt Service Fund	(28,789)	(28,789)	(21,539)	7,250
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	3,139	3,139	83,235	80,096
FUND BALANCE, October 1	262,208	262,208	262,208	-
FUND BALANCE, September 30	\$ 265,347	\$ 265,347	\$ 345,443	\$ 80,096

CITY OF BOWLING GREEN, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND  
 Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
Ad valorem taxes and penalties	\$ 55,671	\$ 55,671	\$ 58,918	\$ 3,247
Financial institution tax	10	10	1	(9)
Railroad and utility tax	6,000	6,000	6,773	773
Surtax	1,000	1,000	1,300	300
	<u>62,681</u>	<u>62,681</u>	<u>66,992</u>	<u>4,311</u>
Intergovernmental Revenues				
State grants	2,800	2,800	4,408	1,608
Charges for Services				
Fines, fees and memberships	4,100	4,100	4,940	840
Miscellaneous				
Donations	-	-	2,481	2,481
Interest	2,000	2,000	494	(1,506)
Other	5,000	5,000	2,516	(2,484)
	<u>7,000</u>	<u>7,000</u>	<u>5,491</u>	<u>(1,509)</u>
TOTAL REVENUES	76,581	76,581	81,831	5,250
<b>EXPENDITURES</b>				
Library services	68,139	68,139	75,426	(7,287)
TOTAL EXPENDITURES	<u>68,139</u>	<u>68,139</u>	<u>75,426</u>	<u>(7,287)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	8,442	8,442	6,405	(2,037)
<b>OTHER FINANCING (USES)</b>				
Operating transfers (out)				
Debt Service Fund	(7,894)	(7,894)	(5,831)	2,063
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)</b>				
	548	548	574	26
FUND BALANCE, October 1	<u>54,406</u>	<u>54,406</u>	<u>54,406</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 54,954</u>	<u>\$ 54,954</u>	<u>\$ 54,980</u>	<u>\$ 26</u>

CITY OF BOWLING GREEN, MISSOURI  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
Year Ended September 30, 2010

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to October 1, ordinances are passed by the Board, which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of Board of Aldermen.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by Board of Aldermen on approved budget adjustment forms.

## **OTHER FINANCIAL INFORMATION**





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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen  
City of Bowling Green  
Bowling Green, Missouri

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Bowling Green, Missouri as of and for the year ended September 30, 2010, which collectively comprise the City of Bowling Green, Missouri's basic financial statements, and have issued our report thereon dated March 2, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Bowling Green, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bowling Green, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Honorable Mayor and Board of Aldermen  
City of Bowling Green  
Bowling Green, Missouri

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. They are identified as items 10-1, 10-2 and 10-3.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bowling Green, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain other matters that we have reported to management of the City of Bowling Green, Missouri, in a separate letter dated March 2, 2011.

This report is intended solely for the information and use of the Honorable Mayor and Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Davis, Lynn & Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
March 2, 2011



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
Accountants

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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen  
City of Bowling Green  
Bowling Green, Missouri

Compliance

We have audited the compliance of the City of Bowling Green, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Bowling Green, Missouri's major federal program for the year ended September 30, 2010. The City of Bowling Green, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City of Bowling Green, Missouri's management. Our responsibility is to express an opinion on the City of Bowling Green, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bowling Green, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Bowling Green, Missouri's compliance with those requirements.

In our opinion, the City of Bowling Green, Missouri complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2010.

Honorable Mayor and Board of Aldermen  
City of Bowling Green  
Bowling Green, Missouri

### Internal Control over Compliance

Management of the City of Bowling Green, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bowling Green, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the Honorable Mayor and Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Davis, Lynn & Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
March 2, 2011

CITY OF BOWLING GREEN, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended September 30, 2010

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>\$ 1,985,252</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,985,252
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Transportation Enhancement Funds	20.205	STP 9900(354)	9,424
		STP 9900(356)	528
ARRA - Transportation Enhancement Funds	20.205	ARRA-ES03(004)	88,578
Airport Improvement Program	20.106	AIRE 06-051A-4	504,077
University of Central Missouri			
State and Community Highway Safety Grant	20.601	LKK073 NHTSA	568
		LKK075 NHTSA	<u>915</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>604,090</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,589,342</u></u>

N/A - Not applicable

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the City's financial statements.

CITY OF BOWLING GREEN, MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements.
2. Three material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

Water and Waste Disposal Systems for Rural Communities	10.760
--	--------
8. The threshold for determining Type A programs was \$300,000.
9. The City of Bowling Green, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

10-1 Segregation of duties

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

CITY OF BOWLING GREEN, MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The limited number of available personnel prohibits segregation of incompatible duties.

10-2 Application of accounting principles generally accepted in the United States of America

*Condition:* The City has an accounting system and personnel in place to perform all basic accounting functions necessary to maintain a general ledger and prepare internal use statements for management and the Board of Aldermen for the day-to-day operation of the City. However, the City does not have accounting professionals with the knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America. This condition is found in the majority of smaller entities.

*Criteria:* The City should have an accounting system that will ensure that accounting principles generally accepted in the United States of America are properly applied.

*Effect:* Audit adjustments were proposed to management to correct misstatements in order to ensure that the accounting principles generally accepted in the United States of America were properly applied.

*Recommendation:* We realize due to limited resources, the City may not be able to employ or contract accounting professionals with the combination of knowledge, experience, and training necessary to properly apply accounting principles generally accepted in the United States of America. However, our professional standards require that we bring this to your attention in this report.

*Response:* Due to limited resources, the City does not have the ability to employ accounting professionals with the combination of knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America.

CITY OF BOWLING GREEN, MISSOURI  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

10-3 Design of internal control system for preparation of basic financial statements

*Condition:* The City has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management. However the City does not have accounting professionals with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

*Criteria:* A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, includes having accounting professionals as part of the system to perform that function.

*Effect:* The City employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

*Recommendation:* We recognize that the City may not have the resources to have an accounting professional with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

*Response:* The City does not have the resources to hire additional accounting personnel with the knowledge, experience and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The City does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award program.



CITY OF BOWLING GREEN, MISSOURI  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2010

There were no prior year audit findings.