

CITY OF BOWLING GREEN, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2011

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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, 2011, 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, 2011, 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.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended September 30, 2011.

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 February 3, 2012, 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 as a whole. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Other Financial Data and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
February 3, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2011**

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, 2011. 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 decreased by \$117,226 for the year as a result of current year activities. The net assets of the City's business activities increased by \$6,925 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2011, by \$16.2 million (net assets). Of this amount \$523,148 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$873,002 during the year.
- Total revenues decreased 14% compared to prior year revenues, while total expense increased 14%.

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, 2011**

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, 2011**

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of September 30, 2011 and 2010:

	Governmental Activities	Business-Type Activities	Total September 30, 2011	Total September 30, 2010
Current and other assets	\$ 1,373,387	\$ 1,301,605	\$ 2,674,992	\$ 3,705,935
Capital assets	9,806,565	18,133,653	27,940,218	26,302,920
TOTAL ASSETS	11,179,952	19,435,258	30,615,210	30,008,855
Other liabilities	256,880	4,261,861	4,518,741	2,929,083
Long-term liabilities outstanding	4,786,673	5,112,516	9,899,189	10,772,191
TOTAL LIABILITIES	5,043,553	9,374,377	14,417,930	13,701,274
Net assets:				
Invested in capital assets net of related debt	5,078,178	9,259,609	14,337,787	13,912,187
Restricted				
Non-expendable	29,321	-	29,321	29,321
Expendable	839,818	467,206	1,307,024	578,971
Unrestricted	189,082	334,066	523,148	1,787,102
TOTAL NET ASSETS	<u>\$ 6,136,399</u>	<u>\$ 10,060,881</u>	<u>\$ 16,197,280</u>	<u>\$ 16,307,581</u>

Total net assets of the City decreased by \$110,301 for the year due to current year activity. Total liabilities for the City increased \$716,656.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2011**

CHANGE IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total September 30, 2011	Total September 30, 2010
REVENUES				
Program Revenues				
Charges for services	\$ 203,466	\$ 1,979,096	\$ 2,182,562	\$ 2,421,191
Operating grants and contributions	7,680	-	7,680	7,736
Capital grants and contributions	30,782	419,041	449,823	1,186,461
General Revenues				
Property taxes	312,012	-	312,012	279,466
Sales taxes	1,227,079	-	1,227,079	1,143,331
Motor vehicle taxes	123,793	-	123,793	124,536
Other taxes	316,610	-	316,610	304,269
Franchise fees	339,359	-	339,359	319,438
Interest	5,619	163,886	169,505	188,676
Other revenue	62,389	-	62,389	49,554
TOTAL REVENUES	2,628,789	2,562,023	5,190,812	6,024,658
EXPENSES				
Administrative	451,924	-	451,924	377,959
Public safety	914,983	-	914,983	841,611
Fire	46,723	-	46,723	34,415
Community center	21,631	-	21,631	17,713
Airport	115,467	-	115,467	64,648
Street	670,825	-	670,825	658,396
Emergency preparedness	52	-	52	1,472
Municipal court	9,285	-	9,285	8,320
Planning and zoning	66,351	-	66,351	62,568
Cemetery	19,166	-	19,166	13,789
Park	88,382	-	88,382	58,701
Pool	17,063	-	17,063	18,352
Library	71,860	-	71,860	77,158
Other	1,964	-	1,964	2,107
Debt service	250,339	-	250,339	91,407
Water and sewer	-	2,555,098	2,555,098	2,340,346
TOTAL EXPENSES	2,746,015	2,555,098	5,301,113	4,668,962
INCREASE (DECREASE) IN NET ASSETS	\$ (117,226)	\$ 6,925	\$ (110,301)	\$ 1,355,696

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2011**

Governmental Activities

Governmental activities decreased the net assets of the City by \$117,226. Tax revenues for the City were \$2,318,853 which represents 88% of the financing of these activities. Program revenues for the functions totaled \$241,928. 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	\$ 451,924	\$ 434,477
Public safety	914,983	852,461
Fire	46,723	46,723
Airport	115,467	13,217
Street	670,825	663,368
Planning and zoning	66,351	31,736
Park	88,382	85,822
Community center	21,631	21,631
Library	71,860	61,283
Debt service	250,339	250,339
Other government activities	47,530	43,030
	<u>\$ 2,746,015</u>	<u>\$ 2,504,087</u>

Business-Type Activities

Business-type activities increased the City's net assets by \$6,925.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2011, were \$1,194,584. The General Fund decreased by \$467,605. The Cemetery Fund increased by \$24,148. The Park Fund increased by \$52,557. The Library Fund increased by \$10,438. The Debt Service Fund decreased by \$4. The Capital Projects Fund decreased by \$11,641.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2011**

General Fund Budgetary Highlights

Revenues

The original revenue budget of \$2,887,892 did not change during the year.

Expenditures

The original expenditure budget of \$2,701,700 was increased to \$2,996,700 for anticipated expenditures.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$9,806,565 (net of accumulated depreciation) as of September 30, 2011. This represents a \$100,796 decrease from the prior year due primarily to depreciation expense in the current year. Net capital assets for business-type activities were \$18,133,653 as of September 30, 2011.

Debt

Total debt of the governmental activities as of September 30, 2011, was \$4,935,673, which is down from \$5,313,500 in the prior year.

Total long and short-term debt of the business-type activities as of September 30, 2011, was \$8,920,690, which is up from \$7,448,946 the prior year. The increase is due primarily to the additional issuance of interim financing in the current year of \$1,956,919 for the water and sewer project.

Economic Factors and Next Year's Budget

- New construction in town continues with growth at the Business Highway 61 corridor near Wal-Mart with retail development and a new restaurant. Housing and retail should get a boost from True Manufacturing's expansion. The project is expected to add over 200 jobs.
- Even though construction continues, the 2012 Budget will be very conservative and will focus more on operational expenses rather than infrastructure and capital expenditures. The City will continue to utilize grants to help with infrastructure and special projects.
- The City of Bowling Green will continue its effort to encourage cost saving measures in every department by monitoring and reviewing its monthly expenses and, if necessary, conduct finance committee meetings regularly.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2011**

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

Chad Perkins, Mayor and Acting City Administrator
Barbara Allison, City Clerk

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments - unrestricted	\$ 69,438	\$ 388,900	\$ 458,338
Ad valorem taxes receivable, net	91,342	-	91,342
Sales tax receivable	215,666	-	215,666
Utilities receivable, net	-	167,050	167,050
Other accounts receivable	79,168	471	79,639
Court fines receivable	63,954	-	63,954
Intergovernmental receivable	3,536	-	3,536
Accrued interest receivable	3,232	22	3,254
Inventory	-	87,350	87,350
Prepaid expenses	21,815	11,168	32,983
Restricted cash and investments	787,522	577,032	1,364,554
Deferred bond issuance costs	37,714	69,612	107,326
Capital Assets:			
Non-depreciable	1,142,498	4,642,034	5,784,532
Depreciable, net	8,664,067	13,491,619	22,155,686
TOTAL ASSETS	11,179,952	19,435,258	30,615,210
LIABILITIES			
Current			
Accounts payable	51,288	325,291	376,579
Accrued expenses	20,711	2,460	23,171
Deposits payable	4,312	62,880	67,192
Court bonds payable	824	-	824
Accrued interest payable	30,745	63,056	93,801
Interim financing payable	-	3,311,709	3,311,709
Current maturities of long-term debt	149,000	496,465	645,465
	256,880	4,261,861	4,518,741
Noncurrent			
Revenue bonds payable	1,425,000	5,032,261	6,457,261
Loan payable	3,336,363	80,255	3,416,618
Compensated absences	25,310	-	25,310
	4,786,673	5,112,516	9,899,189
TOTAL LIABILITIES	5,043,553	9,374,377	14,417,930
NET ASSETS			
Invested in capital assets, net of related debt	5,078,178	9,259,609	14,337,787
Restricted			
Non-expendable	29,321	-	29,321
Expendable	839,818	467,206	1,307,024
Unrestricted	189,082	334,066	523,148
TOTAL NET ASSETS	\$ 6,136,399	\$ 10,060,881	\$ 16,197,280

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

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	\$ (451,924)	\$ 17,147	\$ 300	\$ -	\$ (434,477)	\$ -	\$ (434,477)
Public safety	(914,983)	51,509	768	10,245	(852,461)	-	(852,461)
Fire	(46,723)	-	-	-	(46,723)	-	(46,723)
Community center	(21,631)	-	-	-	(21,631)	-	(21,631)
Airport	(115,467)	90,855	-	11,395	(13,217)	-	(13,217)
Street	(670,825)	-	-	7,457	(663,368)	-	(663,368)
Emergency preparedness	(52)	-	-	-	(52)	-	(52)
Municipal court	(9,285)	-	-	-	(9,285)	-	(9,285)
Planning and zoning	(66,351)	34,615	-	-	(31,736)	-	(31,736)
Cemetery	(19,166)	4,500	-	-	(14,666)	-	(14,666)
Park	(88,382)	875	-	1,685	(85,822)	-	(85,822)
Pool	(17,063)	-	-	-	(17,063)	-	(17,063)
Library	(71,860)	3,965	6,612	-	(61,283)	-	(61,283)
Other	(1,964)	-	-	-	(1,964)	-	(1,964)
Debt service	(250,339)	-	-	-	(250,339)	-	(250,339)
TOTAL GOVERNMENTAL ACTIVITIES	(2,746,015)	203,466	7,680	30,782	(2,504,087)	-	(2,504,087)
Business-Type Activities							
Water and sewer	(2,555,098)	1,979,096	-	419,041	-	(156,961)	(156,961)
TOTAL BUSINESS-TYPE ACTIVITIES	(2,555,098)	1,979,096	-	419,041	-	(156,961)	(156,961)
TOTAL GOVERNMENT	\$ (5,301,113)	\$ 2,182,562	\$ 7,680	\$ 449,823	(2,504,087)	(156,961)	(2,661,048)
General Revenues:							
Ad Valorem taxes					312,012	-	312,012
Sales taxes					1,227,079	-	1,227,079
Motor vehicle taxes					123,793	-	123,793
Other taxes					316,610	-	316,610
Franchise fees					339,359	-	339,359
Interest					5,619	163,886	169,505
Other revenue					62,389	-	62,389
Total General Revenues					2,386,861	163,886	2,550,747
Changes in Net Assets					(117,226)	6,925	(110,301)
Net Assets, Beginning of year					6,253,625	10,053,956	16,307,581
Net Assets, End of year					\$ 6,136,399	\$ 10,060,881	\$ 16,197,280

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2011

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS							
Cash and investments - unrestricted	\$ 69,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,438
Ad valorem taxes receivable, net	62,381	9,675	-	19,286	-	-	91,342
Sales tax receivable	188,454	-	27,212	-	-	-	215,666
Other accounts receivable	79,163	-	-	5	-	-	79,168
Court fines receivable	63,954	-	-	-	-	-	63,954
Intergovernmental receivable	3,536	-	-	-	-	-	3,536
Accrued interest receivable	3,208	21	-	3	-	-	3,232
Prepaid expenses	19,158	572	1,311	774	-	-	21,815
Due from other funds	-	-	41,767	-	-	-	41,767
Restricted cash and investments	5,694	111,258	327,814	49,115	100,006	193,635	787,522
TOTAL ASSETS	\$ 494,986	\$ 121,526	\$ 398,104	\$ 69,183	\$ 100,006	\$ 193,635	\$ 1,377,440
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 39,536	\$ -	\$ 39	\$ 54	\$ -	\$ 11,659	\$ 51,288
Accrued expenses	19,303	-	65	1,343	-	-	20,711
Due to other funds	39,399	-	-	2,368	-	-	41,767
Court bonds payable	824	-	-	-	-	-	824
Deposits payable	4,312	-	-	-	-	-	4,312
Deferred revenue	63,954	-	-	-	-	-	63,954
TOTAL LIABILITIES	167,328	-	104	3,765	-	11,659	182,856
Fund Balances							
Nonspendable:							
Cemetery perpetual care	-	29,321	-	-	-	-	29,321
Prepaid items	19,158	572	1,311	774	-	-	21,815
Restricted for:							
Debt service	3,440	-	-	-	100,006	-	103,446
Fire department	630	-	-	-	-	-	630
Flag reserves	800	-	-	-	-	-	800
Cemetery	-	91,633	-	-	-	-	91,633
Park	-	-	396,689	-	-	-	396,689
Library	-	-	-	64,644	-	-	64,644
Capital projects	-	-	-	-	-	181,976	181,976
Unassigned	303,630	-	-	-	-	-	303,630
TOTAL FUND BALANCES	327,658	121,526	398,000	65,418	100,006	181,976	1,194,584
TOTAL LIABILITIES AND FUND BALANCES	\$ 494,986	\$ 121,526	\$ 398,104	\$ 69,183	\$ 100,006	\$ 193,635	\$ 1,377,440

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 September 30, 2011

Fund balance - total governmental funds	\$ 1,194,584
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	12,163,181
Less accumulated depreciation	<u>(2,356,616)</u>
	9,806,565
Adjustment of deferred revenue	63,954
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(30,745)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(4,935,673)
Unamortized issuance costs on bonds	<u>37,714</u>
Net assets of governmental activities	<u><u>\$ 6,136,399</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, 2011

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES							
Taxes	\$ 2,034,800	\$ 38,369	\$ 169,478	\$ 76,206	\$ -	\$ -	\$ 2,318,853
Licenses and permits	48,149	-	-	-	-	-	48,149
Intergovernmental revenues	64,190	-	1,685	4,133	-	-	70,008
Charges for services	72,531	4,500	875	3,965	-	-	81,871
Fines and forfeitures	48,673	-	-	-	-	-	48,673
Miscellaneous	54,731	445	1,160	4,009	8	18	60,371
TOTAL REVENUES	2,323,074	43,314	173,198	88,313	8	18	2,627,925
EXPENDITURES							
Current							
Administrative	438,727	-	-	-	-	-	438,727
Public safety	903,240	-	-	-	-	-	903,240
Fire	54,936	-	-	-	-	-	54,936
Community center	19,174	-	-	-	-	-	19,174
Airport	121,557	-	-	-	-	-	121,557
Street	583,468	-	-	-	-	11,659	595,127
Emergency preparedness	52	-	-	-	-	-	52
Municipal court	9,285	-	-	-	-	-	9,285
Planning and zoning	66,351	-	-	-	-	-	66,351
Cemetery	-	19,166	-	-	-	-	19,166
Park	-	-	74,764	-	-	-	74,764
Pool	-	-	17,063	-	-	-	17,063
Library	-	-	-	70,128	-	-	70,128
Other	1,964	-	-	-	-	-	1,964
Debt Service							
Principal and interest	405,727	-	-	-	220,524	-	626,251
Agent fees	-	-	-	-	2,247	-	2,247
TOTAL EXPENDITURES	2,604,481	19,166	91,827	70,128	222,771	11,659	3,020,032

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended September 30, 2011

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(281,407)	24,148	81,371	18,185	(222,763)	(11,641)	(392,107)
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	(186,198)	-	(28,814)	(7,747)	222,759	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(186,198)	-	(28,814)	(7,747)	222,759	-	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(467,605)	24,148	52,557	10,438	(4)	(11,641)	(392,107)
FUND BALANCE, October 1	795,263	97,378	345,443	54,980	100,010	193,617	1,586,691
FUND BALANCE, September 30	<u>\$ 327,658</u>	<u>\$ 121,526</u>	<u>\$ 398,000</u>	<u>\$ 65,418</u>	<u>\$ 100,006</u>	<u>\$ 181,976</u>	<u>\$ 1,194,584</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, 2011

Net change in fund balances - total governmental funds \$ (392,107)

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 depreciation exceeded capital outlays for the year:

Capital assets	164,213
Depreciation	(265,009)
	<u>(100,796)</u>

Some revenues reported in the governmental funds represent current financial
 resources and were recognized in the statement of activities when earned. 864

Some expenditures reported in the governmental funds represent the use
 of current financial resources and were recognized in the statement of
 activities when incurred. (3,346)

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.

Repayment of principal on bonds and loans	381,173
Bond issuance costs	(5,294)
Accrued interest payable	2,280
	<u>378,159</u>

Change in net assets of governmental activities \$ (117,226)

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUND
September 30, 2011

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 388,900
Utilities receivable, net	167,050
Other accounts receivable	471
Accrued interest receivable	22
Inventory	87,350
Prepaid expenses	<u>11,168</u>
TOTAL CURRENT ASSETS	654,961
Restricted Assets	
Cash and cash equivalents	461,932
Investments	<u>115,100</u>
TOTAL RESTRICTED ASSETS	577,032
Deferred Bond Issuance Costs	69,612
Property, Plant and Equipment	
Land	203,630
Construction in progress	4,438,404
Water and sewer system	18,263,430
Pumping and purification	1,785,541
Lake	<u>1,390,711</u>
	26,081,716
Less accumulated depreciation	<u>(7,948,063)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>18,133,653</u>
TOTAL ASSETS	19,435,258
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	325,291
Accrued expenses	2,460
Deposits payable	62,880
Accrued interest payable	63,056
Interim financing payable	3,311,709
Current maturities of long-term debt	<u>496,465</u>
TOTAL CURRENT LIABILITIES	4,261,861
Long-Term Liabilities	
Revenue bonds payable	5,032,261
Loan payable	<u>80,255</u>
TOTAL LONG-TERM LIABILITIES	<u>5,112,516</u>
TOTAL LIABILITIES	<u>9,374,377</u>
Net Assets	
Invested in capital assets, net of related debt	9,259,609
Restricted	467,206
Unrestricted	<u>334,066</u>
TOTAL NET ASSETS	<u>\$ 10,060,881</u>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUND
 Year Ended September 30, 2011

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,902,172
Miscellaneous	76,924
	<hr/>
TOTAL OPERATING REVENUES	1,979,096
OPERATING EXPENSES	
Administration	158,841
Legal and professional	35,178
Service agreement	843,703
Purchased services	2,342
Utilities	165,129
Maintenance	231,068
Supplies	216,510
Insurance	33,742
Depreciation	542,191
Miscellaneous	11,246
	<hr/>
TOTAL OPERATING EXPENSES	2,239,950
	<hr/>
OPERATING (LOSS)	(260,854)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	419,041
Interest income	163,886
Interest expense	(315,148)
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	267,779
	<hr/>
NET INCOME	6,925
NET ASSETS, October 1	10,053,956
	<hr/>
NET ASSETS, September 30	<u>\$ 10,060,881</u>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended September 30, 2011

	Enterprise Fund
	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,987,979
Cash paid to suppliers	<u>(2,100,558)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(112,579)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	(2,006,731)
Interim financing proceeds	1,956,919
Grant proceeds	250,000
Payment of bond and loan principal	(491,465)
Payment of interest expense	<u>(305,146)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(596,423)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>163,960</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>163,960</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(545,042)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,395,874</u>
CASH AND CASH EQUIVALENTS, End of year	850,832
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>461,932</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 388,900</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Operating (loss)	\$ (260,854)
Adjustments to reconcile operating income to net cash (used) by operating activities:	
Depreciation	542,191
(Increase) decrease in:	
Utilities receivable	14,243
Inventory	5,026
Prepaid expenses	14
Increase (decrease) in:	
Accounts payable	(408,228)
Accrued expenses	389
Deposits payable	<u>(5,360)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (112,579)</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 not accounted for in other funds.

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

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

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

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources restricted, committed or assigned 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 restricted, committed or assigned 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, 2011

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)

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. 835-20-30 – *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.

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 December 31 of that year.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources, and requires disclosure of nonspendable and spendable resources. The City adopted GASB No. 54 for the current financial statements and has disclosed information about the fund balance reporting.

Net Assets

In the government-wide financial statements, net assets are classified in three components as follows:

Invested in Capital Assets, Net of Related Debt – 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 – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) 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.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed fund balance – This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City’s Board of Aldermen.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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, 2011, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of September 30, 2011, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	10/23/2011 - 3/16/2012	\$ 398,868

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE C – INVESTMENTS (continued)

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, 2011, 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

Governmental Activities

Cash, investments and net assets have been restricted in the following funds:

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
GENERAL FUND		
Court bonds	\$ 824	\$ -
Debt service	3,440	3,440
Fire department	630	630
Flag reserves	800	800
	<u>\$ 5,694</u>	<u>\$ 4,870</u>
CEMETERY FUND		
Perpetual care	\$ 29,321	\$ 29,321
Cemetery tax	81,787	91,483
Cemetery donations	150	150
	<u>\$ 111,258</u>	<u>\$ 120,954</u>
PARK FUND		
Park sales tax	\$ 327,814	\$ 396,689
LIBRARY FUND		
Library tax	<u>\$ 49,115</u>	<u>\$ 64,644</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE D – RESTRICTED ASSETS (continued)

	Restricted Cash and Investments	Restricted Net Assets
DEBT SERVICE FUND		
Debt service	\$ 100,006	\$ 100,006
CAPITAL PROJECTS FUND		
Capital projects	\$ 193,635	\$ 181,976

Business-Type Activities

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:

	Restricted Cash and Investments	Restricted Net Assets
WATER AND SEWER FUND		
2003B Revenue Bonds		
Principal and interest	\$ 80,480	\$ 80,480
Operation and maintenance	57,550	57,550
Bond proceeds	40,871	-
Depreciation and replacement	122,872	122,872
2003C Revenue Bonds		
Bond proceeds	5,775	-
Principal and interest	66,638	66,638
Operation and maintenance	57,550	57,550
Depreciation and replacement	82,116	82,116
USDA Interim Financing Proceeds	300	-
Utility Deposits	62,880	-
	\$ 577,032	\$ 467,206

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE E – ACCOUNTS RECEIVABLE

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

	Gross Receivable	Allowance	Net Receivable
AD VALOREM TAXES RECEIVABLE			
General Fund	\$ 68,546	\$ 6,165	\$ 62,381
Cemetery Fund	10,655	980	9,675
Library Fund	21,259	1,973	19,286
	<u>\$ 100,460</u>	<u>\$ 9,118</u>	<u>\$ 91,342</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	<u>\$ 168,468</u>	<u>\$ 1,418</u>	<u>\$ 167,050</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 \$3,311,709. 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, 2010	New Obligations	Retired	Balance September 30, 2011
Interim Financing Payable - USDA Rural Development	<u>\$ 1,354,790</u>	<u>\$ 1,956,919</u>	<u>\$ -</u>	<u>\$ 3,311,709</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

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.

\$ 382,000

Principal and interest payments are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 382,000</u>	<u>\$ 33,855</u>	<u>\$ 415,855</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.

\$ 1,192,000

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

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

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
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>\$ 1,192,000</u>	<u>\$ 480,447</u>	<u>\$ 1,672,447</u>

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, 2011, the total outstanding balance on the loan is \$3,336,363.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

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

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

	Balance September 30, 2010	New Obligations	Retired	Balance September 30, 2011	Amounts Due Within One Year
Leasehold Revenue Bonds	\$ 1,718,000	\$ -	\$ 144,000	\$ 1,574,000	\$ 149,000
Loan Payable	3,573,536	-	237,173	3,336,363	-
Compensated Absences	21,964	3,346	-	25,310	-
	<u>\$ 5,313,500</u>	<u>\$ 3,346</u>	<u>\$ 381,173</u>	<u>\$ 4,935,673</u>	<u>\$ 149,000</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.

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.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

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

The annual debt service requirements to amortize the principal on the 2003B revenue bonds outstanding at September 30, 2011, are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
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>\$ 4,070,000</u>	<u>\$ 1,540,150</u>	<u>\$ 229,231</u>	<u>\$ 5,839,381</u>

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.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

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

The annual debt service requirements to amortize the principal on the 2003C revenue bonds outstanding at September 30, 2011, are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
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>\$ 1,485,000</u>	<u>\$ 234,045</u>	<u>\$ 53,050</u>	<u>\$ 1,772,095</u>

Loan Payable

In September 2009, 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%.

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
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>\$ 91,720</u>	<u>\$ 16,510</u>	<u>\$ 108,230</u>

CITY OF BOWLING GREEN, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

The following table is a summary of the changes in the business-type activities long-term debt for the year ended September 30, 2011:

	Balance September 30, 2010	New Obligations	Retirements	Balance September 30, 2011	Amounts Due Within One Year
Revenue Bonds Payable	\$ 6,035,000	\$ -	\$ 480,000	\$ 5,555,000	\$ 485,000
Less: Deferred loss on bond refunding	(44,029)	-	(6,290)	(37,739)	-
	<u>5,990,971</u>	<u>-</u>	<u>473,710</u>	<u>5,517,261</u>	<u>485,000</u>
Loan payable	103,185	-	11,465	91,720	11,465
	<u>\$ 6,094,156</u>	<u>\$ -</u>	<u>\$ 485,175</u>	<u>\$ 5,608,981</u>	<u>\$ 496,465</u>

NOTE I – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 1,093,257	\$ 10,416	\$ -	\$ 1,103,673
Construction in progress	-	38,825	-	38,825
Total Non-depreciable Capital Assets	<u>1,093,257</u>	<u>\$ 49,241</u>	<u>\$ -</u>	<u>1,142,498</u>
Depreciable capital assets				
Building and improvements	2,329,313	\$ 17,702	\$ -	2,347,015
Machinery and equipment	1,012,257	33,021	-	1,045,278
Infrastructure	7,564,141	64,249	-	7,628,390
Total Depreciable Capital Assets	<u>10,905,711</u>	<u>\$ 114,972</u>	<u>\$ -</u>	<u>11,020,683</u>
Less Accumulated Depreciation				
Buildings and improvements	311,874	\$ 49,266	\$ -	361,140
Machinery and equipment	620,913	64,297	-	685,210
Infrastructure	1,158,820	151,446	-	1,310,266
Total Accumulated Depreciation	<u>2,091,607</u>	<u>\$ 265,009</u>	<u>\$ -</u>	<u>2,356,616</u>
Total Depreciable Capital Assets, net	<u>8,814,104</u>			<u>8,664,067</u>
Total Governmental Activities Capital Assets, net	<u>\$ 9,907,361</u>			<u>\$ 9,806,565</u>

CITY OF BOWLING GREEN, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE I – CAPITAL ASSETS (continued)

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

Administration	\$ 11,524
Community center	2,457
Library	1,732
Public safety	20,242
Fire	5,308
Park	21,149
Airport	16,887
Street	<u>185,710</u>
	<u>\$ 265,009</u>

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Business-Type Activities				
Non-depreciable assets				
Land	\$ 203,630	\$ -	\$ -	\$ 203,630
Construction-in-progress	<u>2,169,653</u>	<u>2,268,751</u>	<u>-</u>	<u>4,438,404</u>
Total non-depreciable assets	2,373,283	<u>\$ 2,268,751</u>	<u>\$ -</u>	4,642,034
Depreciable assets				
Water and sewer system	18,263,430	\$ -	\$ -	18,263,430
Pumping and purification	1,774,006	11,535	-	1,785,541
Lake	<u>1,390,711</u>	<u>-</u>	<u>-</u>	<u>1,390,711</u>
Total depreciable assets	21,428,147	<u>\$ 11,535</u>	<u>\$ -</u>	21,439,682
Less accumulated depreciation	<u>7,405,871</u>	<u>\$ 542,192</u>	<u>\$ -</u>	<u>7,948,063</u>
Depreciable Capital Assets, net	<u>14,022,276</u>			<u>13,491,619</u>
Total Capital Assets				
Business-Type Activities, net	<u>\$ 16,395,559</u>			<u>\$ 18,133,653</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

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.

Funding Status

Full-time employees of the City of Bowling Green do not contribute to the pension plan. The June 30th statutorily required contribution rates are 1.4% (General) and 1.4% (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	\$ 7,998
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>7,998</u>
Actual contributions	<u>7,998</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE J – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 29, 2008, and February 28, 2009, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% 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 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 year for men and 0 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 29, 2008, was 15 years for the General division and 15 years for the Police division. The amortization period as of February 28, 2009, was 6 years for the General division and 10 years for the Police division.

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 2,427	100%	\$ -
2010	2,333	100%	-
2011	7,998	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 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
02/28/2011	\$ 995,191	\$ 833,919	\$ (161,272)	119%	\$ 695,433	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.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

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:

	<u>2010</u>
Assessed Valuation	
Real estate	\$ 28,584,480
Personal property	<u>6,561,702</u>
TOTAL	<u>\$ 35,146,182</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$.5977
Cemetery Fund	.0922
Library Fund	<u>.1843</u>
TOTAL	<u>\$.8742</u>

The legal debt margin at September 30, 2011, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 3,514,618	\$ 3,514,618	\$ 7,029,236
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 3,514,618</u>	<u>\$ 3,514,618</u>	<u>\$ 7,029,236</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, 2011

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, 2011, is accounted for as follows:

General Fund	
Deferred court fines	<u>\$ 63,954</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, 2011

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, 2010	Current Amortization	Net Bond Issue Costs
Business-Type Activities	\$ 130,989	\$ 53,705	\$ 7,672	\$ 69,612
Governmental Activities	\$ 74,773	\$ 31,765	\$ 5,294	\$ 37,714

NOTE O – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2011, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 186,198
Park Fund	-	28,814
Library Fund	-	7,747
Debt Service Fund	222,759	-
	<u>\$ 222,759</u>	<u>\$ 222,759</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, 2011

NOTE P – INTERNAL BALANCES

Internal balances as of September 30, 2011, 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, 2011, 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, 2011, 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, and August 7, 2007, the City passed an \$11,060,000 and \$3,000,000 bond issue respectively, for the purpose of acquiring, constructing, extending, improving, furnishing and equipping the City's combined waterworks and sewerage system. As of September 30, 2011, \$1,420,000 and \$3,000,000 of the 1995 and 2007 bond ordinances, respectively, had not been issued. On January 31, 2012, the City issued \$1,420,000 and \$2,078,000 of the 1995 and 2007 bonds, respectively, totaling \$3,498,000.

CITY OF BOWLING GREEN, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE S – COMMITMENTS

At September 30, 2011, the City had the following commitments:

- Alliance Water Resource, Inc. in the amount of \$1,130,089 for professional services which include providing management, operation, and maintenance of the water and sewer system during fiscal year 2012.
- Mick Mehler and Sons, Inc. for waterworks and wastewater system improvements in the amount of \$40,647.
- Huey Construction Co. for waterworks and wastewater system improvements in the amount of \$39,293.
- Gerard Tank & Steel for water system improvements in the amount of \$59,000.
- MECO Engineering Company, Inc. for engineering services in the amount of \$196,095.
- 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, 2011, \$3,311,709 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 \$7,329,195. Principal and interest paid for the current year and total customer net revenues were \$748,065 and \$281,337, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOWLING GREEN, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2011

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
02/28/2009	\$ 923,073	\$ 637,868	\$ (285,205)	145%	\$ 563,495	0%
02/28/2010	946,272	684,683	(261,589)	138%	592,654	0%
02/28/2011	995,191	833,919	(161,272)	119%	695,433	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, 2011, 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, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 191,492	\$ 191,492	\$ 213,327	\$ 21,835
City sales tax	780,000	780,000	718,644	(61,356)
Transportation sales tax	390,000	390,000	338,955	(51,045)
Financial institution tax	3,000	3,000	2,486	(514)
Railroad and utility tax	22,000	22,000	21,545	(455)
Surtax	4,000	4,000	9,733	5,733
Utility franchise tax	300,000	300,000	339,359	39,359
Motor vehicle tax	129,000	129,000	123,793	(5,207)
Payment in lieu of taxes	200,000	200,000	200,000	-
Lodging tax	45,000	45,000	41,908	(3,092)
Cigarette tax	20,000	20,000	25,050	5,050
	<u>2,084,492</u>	<u>2,084,492</u>	<u>2,034,800</u>	<u>(49,692)</u>
Licenses and Permits				
Occupational licenses	9,000	9,000	9,196	196
Building permits	13,000	13,000	38,215	25,215
Animal license and fees	600	600	738	138
	<u>22,600</u>	<u>22,600</u>	<u>48,149</u>	<u>25,549</u>
Intergovernmental Revenues				
Airport grant	250,000	250,000	9,895	(240,105)
Street grant	-	-	44,050	44,050
Police grant	5,000	5,000	10,245	5,245
	<u>255,000</u>	<u>255,000</u>	<u>64,190</u>	<u>(190,810)</u>
Charges for Services				
Printing	-	-	170	170
Airport fuel	55,000	55,000	68,180	13,180
Trash billing	140,000	140,000	4,181	(135,819)
	<u>195,000</u>	<u>195,000</u>	<u>72,531</u>	<u>(122,469)</u>
Fines and Forfeitures				
City court fines	65,000	65,000	48,673	(16,327)
Miscellaneous				
Rents and royalties	16,000	16,000	29,252	13,252
Interest	20,000	20,000	4,142	(15,858)
Donations	-	-	800	800
Other	229,800	229,800	20,537	(209,263)
	<u>265,800</u>	<u>265,800</u>	<u>54,731</u>	<u>(211,069)</u>
TOTAL REVENUES	<u>2,887,892</u>	<u>2,887,892</u>	<u>2,323,074</u>	<u>(564,818)</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	536,291	536,291	438,727	97,564
Public safety	927,217	927,217	903,240	23,977
Fire	64,193	64,193	54,936	9,257
Community center	14,815	14,815	19,174	(4,359)
Airport	194,200	194,200	121,557	72,643
Street	685,019	685,019	583,468	101,551
Emergency preparedness	100	100	52	48
Municipal court	11,752	11,752	9,285	2,467
Planning and zoning	68,113	68,113	66,351	1,762
Other	-	-	1,964	(1,964)
Debt Service				
Principal and interest	200,000	495,000	405,727	89,273
TOTAL EXPENDITURES	<u>2,701,700</u>	<u>2,996,700</u>	<u>2,604,481</u>	<u>392,219</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	186,192	(108,808)	(281,407)	(172,599)
OTHER FINANCING (USES)				
Operating transfers (out)				
Debt Service Fund	(183,962)	(183,962)	(186,198)	(2,236)
TOTAL OTHER FINANCING (USES)	<u>(183,962)</u>	<u>(183,962)</u>	<u>(186,198)</u>	<u>(2,236)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)				
	2,230	(292,770)	(467,605)	(174,835)
FUND BALANCE, October 1	<u>795,263</u>	<u>795,263</u>	<u>795,263</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 797,493</u>	<u>\$ 502,493</u>	<u>\$ 327,658</u>	<u>\$ (174,835)</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes and penalties	\$ 29,453	\$ 29,453	\$ 32,907	\$ 3,454
Financial institution tax	50	50	402	352
Railroad and utility tax	3,200	3,200	3,485	285
Surtax	500	500	1,575	1,075
	<u>33,203</u>	<u>33,203</u>	<u>38,369</u>	<u>5,166</u>
Charges for services				
Sale of lots	4,500	4,500	4,500	-
Miscellaneous				
Interest	500	500	445	(55)
TOTAL REVENUES	<u>38,203</u>	<u>38,203</u>	<u>43,314</u>	<u>5,111</u>
EXPENDITURES				
Cemetery				
	<u>23,475</u>	<u>23,475</u>	<u>19,166</u>	<u>4,309</u>
TOTAL EXPENDITURES	<u>23,475</u>	<u>23,475</u>	<u>19,166</u>	<u>4,309</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	14,728	14,728	24,148	9,420
FUND BALANCE, October 1	<u>97,378</u>	<u>97,378</u>	<u>97,378</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 112,106</u>	<u>\$ 112,106</u>	<u>\$ 121,526</u>	<u>\$ 9,420</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 140,000	\$ 140,000	\$ 169,478	\$ 29,478
Intergovernmental Revenues				
Safe routes to school grant	-	-	1,685	1,685
Charges for Services				
League and tournament fees	1,200	1,200	875	(325)
Miscellaneous				
Interest	2,000	2,000	760	(1,240)
Other	-	-	400	400
	<u>2,000</u>	<u>2,000</u>	<u>1,160</u>	<u>(840)</u>
TOTAL REVENUES	143,200	143,200	173,198	29,998
EXPENDITURES				
Park	92,609	92,609	74,764	17,845
Pool	20,250	20,250	17,063	3,187
TOTAL EXPENDITURES	<u>112,859</u>	<u>112,859</u>	<u>91,827</u>	<u>21,032</u>
EXCESS OF REVENUES OVER EXPENDITURES	30,341	30,341	81,371	51,030
OTHER FINANCING (USES)				
Operating transfers (out)				
Debt Service Fund	(29,081)	(29,081)	(28,814)	267
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	1,260	1,260	52,557	51,297
FUND BALANCE, October 1	345,443	345,443	345,443	-
FUND BALANCE, September 30	<u>\$ 346,703</u>	<u>\$ 346,703</u>	<u>\$ 398,000</u>	<u>\$ 51,297</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes and penalties	\$ 58,276	\$ 58,276	\$ 65,778	\$ 7,502
Financial institution tax	10	10	768	758
Railroad and utility tax	7,000	7,000	6,654	(346)
Surtax	500	500	3,006	2,506
	<u>65,786</u>	<u>65,786</u>	<u>76,206</u>	<u>10,420</u>
Intergovernmental Revenues				
State grants	2,800	2,800	4,133	1,333
Charges for Services				
Fines, fees and memberships	4,400	4,400	3,965	(435)
Miscellaneous				
Donations	-	-	2,479	2,479
Interest	-	-	247	247
Other	-	-	1,283	1,283
	<u>-</u>	<u>-</u>	<u>4,009</u>	<u>4,009</u>
TOTAL REVENUES	72,986	72,986	88,313	15,327
EXPENDITURES				
Library	64,928	70,128	70,128	-
TOTAL EXPENDITURES	<u>64,928</u>	<u>70,128</u>	<u>70,128</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	8,058	2,858	18,185	15,327
OTHER FINANCING (USES)				
Operating transfers (out)				
Debt Service Fund	(7,823)	(7,623)	(7,747)	(124)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)				
	235	(4,765)	10,438	15,203
FUND BALANCE, October 1	54,980	54,980	54,980	-
FUND BALANCE, September 30	<u>\$ 55,215</u>	<u>\$ 50,215</u>	<u>\$ 65,418</u>	<u>\$ 15,203</u>

CITY OF BOWLING GREEN, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2011

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, 2011, which collectively comprise the City of Bowling Green, Missouri's basic financial statements, and have issued our report thereon dated February 3, 2012. 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 11-1, 11-2 and 11-3.

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 February 3, 2012.

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.
February 3, 2012



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

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.
February 3, 2012

CITY OF BOWLING GREEN, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2011

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>\$ 2,099,711</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,099,711
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Missouri Department of Public Safety			
Bulletproof Vest Partnership Program	16.607	N/A	1,100
Local Law Enforcement Block Grant	16.738	2009-LBGJ-102	<u>8,145</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			9,245
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Transportation Enhancement Funds	20.205	STP 9900(354)	1,685
		STP 9900(356)	36,592
ARRA - Transportation Enhancement Funds	20.205	ARRA-ES03(004)	7,457
Airport Improvement Program	20.106	AIRE 06-051A-4	9,895
University of Central Missouri			
State and Community Highway Safety Grant	20.600	SAF014	509
State and Community Highway Safety Grant	20.601	LKK073 NHTSA	<u>492</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			56,630
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Missouri Department of Natural Resources			
Capitalization Grant for Clean Water State Revolving Funds	66.458	N/A	<u>76,638</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>76,638</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,242,224</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, 2011

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

11-1 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, 2011

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.

11-2 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, 2011

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

11-3 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, 2011

There were no prior year audit findings.