

CITY OF BOWLING GREEN, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2012

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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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2013, 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.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bowling Green, Missouri's basic financial statements as a whole. 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 Schedule of Expenditures of Federal Awards is the responsibility of management and was 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 as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
February 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2012**

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, 2012. Please read it in conjunction with the City's financial statements, which begin on page 14.

Financial Highlights

- The net assets of the City's governmental activities increased by \$496,764 for the year as a result of current year activities. The net assets of the City's business activities increased by \$84,162 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2012, by \$16.8 million (net assets). Of this amount \$869,048 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City increased by \$2,551,772 during the year.
- Total revenues increased 17% compared to prior year revenues, while total expenses increased 4%.

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, 2012**

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, 2012**

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of September 30, 2012 and 2011:

	Governmental Activities	Business-Type Activities	Total September 30, 2012	Total September 30, 2011
Current and other assets	\$ 1,295,055	\$ 1,114,700	\$ 2,409,755	\$ 2,674,992
Capital assets	10,000,850	17,815,370	27,816,220	27,940,218
TOTAL ASSETS	11,295,905	18,930,070	30,225,975	30,615,210
Other liabilities	292,382	704,426	996,808	4,518,741
Long-term liabilities outstanding	4,370,360	8,080,601	12,450,961	9,899,189
TOTAL LIABILITIES	4,662,742	8,785,027	13,447,769	14,417,930
Net assets:				
Invested in capital assets net of related debt	5,496,787	9,199,388	14,696,175	14,337,787
Restricted				
Non-expendable	29,321	-	29,321	29,321
Expendable	701,562	482,100	1,183,662	1,307,024
Unrestricted	405,493	463,555	869,048	523,148
TOTAL NET ASSETS	\$ 6,633,163	\$ 10,145,043	\$ 16,778,206	\$ 16,197,280

Total net assets of the City increased by \$580,926 for the year due to current year activity. Total liabilities for the City decreased \$970,161.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2012**

CHANGE IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total September 30, 2012	Total September 30, 2011
REVENUES				
Program Revenues				
Charges for services	\$ 126,166	\$ 2,650,328	\$ 2,776,494	\$ 2,182,562
Operating grants and contributions	10,540	-	10,540	7,680
Capital grants and contributions	405,624	332,000	737,624	449,823
General Revenues				
Property taxes	279,672	-	279,672	312,012
Sales taxes	1,276,235	-	1,276,235	1,227,079
Motor vehicle taxes	185,630	-	185,630	123,793
Other taxes	322,543	-	322,543	316,610
Franchise fees	309,186	-	309,186	339,359
Interest	5,599	150,731	156,330	169,505
Other revenue	39,164	-	39,164	62,389
Transfers	165,460	(165,460)	-	-
TOTAL REVENUES	3,125,819	2,967,599	6,093,418	5,190,812
EXPENSES				
Administrative	437,314	-	437,314	451,924
Public safety	894,236	-	894,236	914,983
Fire	37,514	-	37,514	46,723
Community center	24,871	-	24,871	21,631
Airport	59,275	-	59,275	115,467
Street	602,308	-	602,308	670,825
Emergency preparedness	-	-	-	52
Municipal court	8,431	-	8,431	9,285
Planning and zoning	66,070	-	66,070	66,351
Cemetery	38,639	-	38,639	19,166
Park	158,467	-	158,467	88,382
Pool	14,869	-	14,869	17,063
Library	80,847	-	80,847	71,860
Other	2,940	-	2,940	1,964
Debt service	203,274	-	203,274	250,339
Water	-	1,861,901	1,861,901	1,248,789
Sewer	-	1,021,536	1,021,536	1,306,309
TOTAL EXPENSES	2,629,055	2,883,437	5,512,492	5,301,113
INCREASE (DECREASE) IN NET ASSETS	\$ 496,764	\$ 84,162	\$ 580,926	\$ (110,301)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2012**

Governmental Activities

Governmental activities increased the net assets of the City by \$496,764. Tax revenues for the City were \$2,373,266 which represents 76% of the financing of these activities. Program revenues for the functions totaled \$542,330. The following table shows the cost of the City's 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
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 437,314	\$ 367,342
Public safety	894,236	843,506
Fire	37,514	37,514
Airport	59,275	(337,407)
Street	602,308	602,308
Planning and zoning	66,070	55,841
Park	158,467	157,442
Community center	24,871	24,871
Library	80,847	70,555
Debt service	203,274	203,274
Other government activities	64,879	61,479
	\$ 2,629,055	\$ 2,086,725

Business-Type Activities

Business-type activities increased the City's net assets by \$84,162.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2012, were \$1,084,775. The General Fund increased by \$25,337. The Cemetery Fund increased by \$347. The Park Fund decreased by \$9,068. The Library Fund decreased by \$3,308. The Debt Service Fund increased by \$58,859. The Capital Projects Fund decreased by \$181,976.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2012**

General Fund Budgetary Highlights

Revenues

The original revenue budget of \$3,043,154 did not change during the year.

Expenditures

The original expenditure budget of \$2,730,584 did not change during the year.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$10,000,850 (net of accumulated depreciation) as of September 30, 2012. This represents a \$194,285 increase from the prior year due primarily to an airport runway project. Net capital assets for business-type activities were \$17,815,370 as of September 30, 2012.

Debt

Total debt of the governmental activities as of September 30, 2012, was \$4,526,360, which is down from \$4,935,673 in the prior year.

Total long-term debt of the business-type activities as of September 30, 2012, was \$8,615,982, which is up from \$5,608,981 the prior year. The increase is due primarily to the issuance of bonds in the current year of \$3,498,000 for the water project.

Economic Factors and Next Year's Budget

- New commercial and residential development continues within the community. Anticipated new construction includes development of a Quick-change Oil and Lube facility and expansion of the existing Dollar General Store
- The 2012-2013 Fiscal Year budget was prepared as a realistic projection of revenue and expenditures. The City anticipates the acquisition of several capital items including a new Police Vehicle, used Fire Truck and Chipper. All three capital items are being funded through loans over an extended time period.
- City staff, Mayor and Board of Aldermen receives and reviews the financial status of the City throughout the fiscal year. This action will continue to aggressively monitor and manage the City's finances.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2012**

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

Dan R. Lang, City Administrator
Barbara Allison, City Clerk

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF NET ASSETS
September 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments - unrestricted	\$ 532,771	\$ 144,431	\$ 677,202
Ad valorem taxes receivable, net	70,817	-	70,817
Sales tax receivable	210,628	-	210,628
Utilities receivable, net	-	239,343	239,343
Other accounts receivable	84,180	493	84,673
Court fines receivable	71,719	-	71,719
Intergovernmental receivable	74,320	-	74,320
Accrued interest receivable	3,234	-	3,234
Inventory	-	108,345	108,345
Prepaid expenses	23,115	11,648	34,763
Restricted cash and investments	191,851	548,500	740,351
Deferred bond issuance costs	32,420	61,940	94,360
Capital Assets:			
Non-depreciable	1,103,673	203,630	1,307,303
Depreciable, net	8,897,177	17,611,740	26,508,917
TOTAL ASSETS	11,295,905	18,930,070	30,225,975
LIABILITIES			
Current			
Accounts payable	80,501	33,497	113,998
Accrued expenses	21,358	-	21,358
Deposits payable	4,650	66,400	71,050
Court bonds payable	1,612	-	1,612
Accrued interest payable	28,261	69,148	97,409
Current maturities of long-term debt	156,000	535,381	691,381
	292,382	704,426	996,808
Noncurrent			
Revenue bonds payable	1,269,000	8,011,811	9,280,811
Loan payable	3,079,063	68,790	3,147,853
Compensated absences	22,297	-	22,297
	4,370,360	8,080,601	12,450,961
TOTAL LIABILITIES	4,662,742	8,785,027	13,447,769
NET ASSETS			
Invested in capital assets, net of related debt	5,496,787	9,199,388	14,696,175
Restricted			
Non-expendable	29,321	-	29,321
Expendable	701,562	482,100	1,183,662
Unrestricted	405,493	463,555	869,048
TOTAL NET ASSETS	\$ 6,633,163	\$ 10,145,043	\$ 16,778,206

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

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	\$ (437,314)	\$ 17,498	\$ 1,174	\$ 51,300	\$ (367,342)	\$ -	\$ (367,342)
Public safety	(894,236)	47,246	3,484	-	(843,506)	-	(843,506)
Fire	(37,514)	-	-	-	(37,514)	-	(37,514)
Community center	(24,871)	-	-	-	(24,871)	-	(24,871)
Airport	(59,275)	42,358	-	354,324	337,407	-	337,407
Street	(602,308)	-	-	-	(602,308)	-	(602,308)
Municipal court	(8,431)	-	-	-	(8,431)	-	(8,431)
Planning and zoning	(66,070)	10,229	-	-	(55,841)	-	(55,841)
Cemetery	(38,639)	3,400	-	-	(35,239)	-	(35,239)
Park	(158,467)	1,025	-	-	(157,442)	-	(157,442)
Pool	(14,869)	-	-	-	(14,869)	-	(14,869)
Library	(80,847)	4,410	5,882	-	(70,555)	-	(70,555)
Other	(2,940)	-	-	-	(2,940)	-	(2,940)
Debt service	(203,274)	-	-	-	(203,274)	-	(203,274)
TOTAL GOVERNMENTAL ACTIVITIES	(2,629,055)	126,166	10,540	405,624	(2,086,725)	-	(2,086,725)
Business-Type Activities							
Water	(1,861,901)	1,757,291	-	332,000	-	227,390	227,390
Sewer	(1,021,536)	893,037	-	-	-	(128,499)	(128,499)
TOTAL BUSINESS-TYPE ACTIVITIES	(2,883,437)	2,650,328	-	332,000	-	98,891	98,891
TOTAL GOVERNMENT	\$ (5,512,492)	\$ 2,776,494	\$ 10,540	\$ 737,624	(2,086,725)	98,891	(1,987,834)
General Revenues:							
Ad Valorem taxes					279,672	-	279,672
Sales taxes					1,276,235	-	1,276,235
Motor vehicle taxes					185,630	-	185,630
Other taxes					322,543	-	322,543
Franchise fees					309,186	-	309,186
Interest					5,599	150,731	156,330
Other revenue					39,164	-	39,164
Transfers					165,460	(165,460)	-
Total General Revenues and Transfers					2,583,489	(14,729)	2,568,760
Changes in Net Assets					496,764	84,162	580,926
Net Assets, Beginning of year					6,136,399	10,060,881	16,197,280
Net Assets, End of year					\$ 6,633,163	\$ 10,145,043	\$ 16,778,206

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2012

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS							
Cash and investments - unrestricted	\$ 69,417	\$ 84,454	\$ 328,836	\$ 50,064	\$ -	\$ -	\$ 532,771
Ad valorem taxes receivable, net	48,503	7,319	-	14,995	-	-	70,817
Sales tax receivable	185,672	-	24,956	-	-	-	210,628
Other accounts receivable	84,175	-	-	5	-	-	84,180
Court fines receivable	71,719	-	-	-	-	-	71,719
Intergovernmental receivable	74,320	-	-	-	-	-	74,320
Accrued interest receivable	3,210	21	-	3	-	-	3,234
Prepaid expenses	20,315	608	1,382	810	-	-	23,115
Due from other funds	-	-	41,767	-	-	-	41,767
Restricted cash and investments	3,515	29,471	-	-	158,865	-	191,851
TOTAL ASSETS	\$ 560,846	\$ 121,873	\$ 396,941	\$ 65,877	\$ 158,865	\$ -	\$ 1,304,402
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 72,540	\$ -	\$ 7,913	\$ 48	\$ -	\$ -	\$ 80,501
Accrued expenses	19,911	-	96	1,351	-	-	21,358
Due to other funds	39,399	-	-	2,368	-	-	41,767
Court bonds payable	1,612	-	-	-	-	-	1,612
Deposits payable	4,650	-	-	-	-	-	4,650
Deferred revenue	69,739	-	-	-	-	-	69,739
TOTAL LIABILITIES	207,851	-	8,009	3,767	-	-	219,627
Fund Balances							
Nonspendable:							
Cemetery perpetual care	-	29,321	-	-	-	-	29,321
Prepaid items	20,315	608	1,382	810	-	-	23,115
Restricted for:							
Debt service	-	-	-	-	158,865	-	158,865
Fire department	630	-	-	-	-	-	630
Flag reserves	1,273	-	-	-	-	-	1,273
Cemetery donations	-	150	-	-	-	-	150
Cemetery	-	91,794	-	-	-	-	91,794
Park	-	-	387,550	-	-	-	387,550
Library	-	-	-	61,300	-	-	61,300
Unassigned	330,777	-	-	-	-	-	330,777
TOTAL FUND BALANCES	352,995	121,873	388,932	62,110	158,865	-	1,084,775
TOTAL LIABILITIES AND FUND BALANCES	\$ 560,846	\$ 121,873	\$ 396,941	\$ 65,877	\$ 158,865	\$ -	\$ 1,304,402

See accompanying notes.

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

Fund balance - total governmental funds	\$ 1,084,775
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	12,625,212
Less accumulated depreciation	<u>(2,624,362)</u>
	10,000,850
Adjustment of deferred revenue	69,739
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(28,261)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(4,526,360)
Unamortized issuance costs on bonds	<u>32,420</u>
Net assets of governmental activities	<u><u>\$ 6,633,163</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, 2012

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES							
Taxes	\$ 2,090,727	\$ 35,155	\$ 177,213	\$ 70,171	\$ -	\$ -	\$ 2,373,266
Licenses and permits	21,600	-	-	-	-	-	21,600
Intergovernmental revenues	356,165	-	-	2,667	-	-	358,832
Charges for services	31,290	3,400	1,025	4,410	-	-	40,125
Fines and forfeitures	39,795	-	-	-	-	-	39,795
Miscellaneous	114,234	431	2,305	3,961	15	10	120,956
TOTAL REVENUES	2,653,811	38,986	180,543	81,209	15	10	2,954,574
EXPENDITURES							
Current							
Administrative	424,763	-	-	-	-	2,533	427,296
Public safety	875,677	-	-	-	-	-	875,677
Fire	32,377	-	-	-	-	-	32,377
Community center	22,414	-	-	-	-	-	22,414
Airport	402,182	-	-	-	-	-	402,182
Street	414,343	-	-	-	-	86,257	500,600
Municipal court	8,431	-	-	-	-	-	8,431
Planning and zoning	66,070	-	-	-	-	-	66,070
Cemetery	-	38,639	-	-	-	-	38,639
Park	-	-	152,468	-	-	-	152,468
Pool	-	-	14,869	-	-	-	14,869
Library	-	-	-	78,682	-	434	79,116
Other	2,940	-	-	-	-	-	2,940
Debt Service							
Principal and interest	386,956	-	-	-	219,808	-	606,764
TOTAL EXPENDITURES	2,636,153	38,639	167,337	78,682	219,808	89,224	3,229,843

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended September 30, 2012

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	17,658	347	13,206	2,527	(219,793)	(89,214)	(275,269)
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	7,679	-	(22,274)	(5,835)	278,652	(92,762)	165,460
TOTAL OTHER FINANCING SOURCES (USES)	7,679	-	(22,274)	(5,835)	278,652	(92,762)	165,460
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	25,337	347	(9,068)	(3,308)	58,859	(181,976)	(109,809)
FUND BALANCE, October 1	327,658	121,526	398,000	65,418	100,006	181,976	1,194,584
FUND BALANCE, September 30	<u>\$ 352,995</u>	<u>\$ 121,873</u>	<u>\$ 388,932</u>	<u>\$ 62,110</u>	<u>\$ 158,865</u>	<u>\$ -</u>	<u>\$ 1,084,775</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, 2012

Net change in fund balances - total governmental funds \$ (109,809)

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

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

Capital assets	462,031
Depreciation	(267,746)
	<u>194,285</u>

Some revenues reported in the governmental funds represent current financial
 resources and were recognized in the statement of activities when earned. 5,785

Some expenditures reported in the governmental funds represent the use
 of current financial resources and were recognized in the statement of
 activities when incurred. 3,013

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	406,300
Bond issuance costs	(5,294)
Accrued interest payable	2,484
	<u>403,490</u>

Change in net assets of governmental activities \$ 496,764

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
September 30, 2012

ASSETS	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Current Assets			
Cash and cash equivalents	\$ 76,641	\$ 67,790	\$ 144,431
Utilities receivable, net	159,006	80,337	239,343
Other accounts receivable	493	-	493
Inventory	71,770	36,575	108,345
Prepaid expenses	7,185	4,463	11,648
TOTAL CURRENT ASSETS	315,095	189,165	504,260
Restricted Assets			
Cash and cash equivalents	243,725	189,675	433,400
Investments	57,550	57,550	115,100
TOTAL RESTRICTED ASSETS	301,275	247,225	548,500
Deferred Bond Issuance Costs	23,623	38,317	61,940
Property, Plant and Equipment			
Land	57,354	146,276	203,630
Sewer system	-	13,317,072	13,317,072
Water system	9,595,256	-	9,595,256
Pumping and purification	1,805,826	-	1,805,826
Lake	1,390,711	-	1,390,711
	12,849,147	13,463,348	26,312,495
Less accumulated depreciation	(4,921,235)	(3,575,890)	(8,497,125)
TOTAL PROPERTY, PLANT AND EQUIPMENT	7,927,912	9,887,458	17,815,370
TOTAL ASSETS	8,567,905	10,362,165	18,930,070
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	33,345	152	33,497
Deposits payable	66,400	-	66,400
Accrued interest payable	23,824	45,324	69,148
Current maturities of long-term debt	268,916	266,465	535,381
TOTAL CURRENT LIABILITIES	392,485	311,941	704,426
Long-Term Liabilities			
Revenue bonds payable	4,446,811	3,565,000	8,011,811
Loan payable	-	68,790	68,790
TOTAL LONG-TERM LIABILITIES	4,446,811	3,633,790	8,080,601
TOTAL LIABILITIES	4,839,296	3,945,731	8,785,027
Net Assets			
Invested in capital assets, net of related debt	3,212,185	5,987,203	9,199,388
Restricted	234,875	247,225	482,100
Unrestricted	281,549	182,006	463,555
TOTAL NET ASSETS	\$ 3,728,609	\$ 6,416,434	\$ 10,145,043

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
 Year Ended September 30, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,645,968	\$ 886,317	\$ 2,532,285
Miscellaneous	111,323	6,720	118,043
TOTAL OPERATING REVENUES	1,757,291	893,037	2,650,328
OPERATING EXPENSES			
Administration	86,700	72,841	159,541
Legal and professional	33,273	21,546	54,819
Service agreement	463,459	256,752	720,211
Purchased services	514	3,084	3,598
Utilities	65,643	105,484	171,127
Maintenance	28,149	22,285	50,434
Supplies	165,186	29,297	194,483
Water purchased	412,790	-	412,790
Insurance	27,779	12,035	39,814
Depreciation	270,549	278,513	549,062
Miscellaneous	-	2,941	2,941
TOTAL OPERATING EXPENSES	1,554,042	804,778	2,358,820
OPERATING INCOME	203,249	88,259	291,508
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	332,000	-	332,000
Interest income	31,613	119,118	150,731
Interest expense	(307,859)	(216,758)	(524,617)
TOTAL NONOPERATING REVENUES (EXPENSES)	55,754	(97,640)	(41,886)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	259,003	(9,381)	249,622
OPERATING TRANSFERS (OUT)	(105,894)	(59,566)	(165,460)
NET INCOME (LOSS)	153,109	(68,947)	84,162
NET ASSETS, October 1	3,575,500	6,485,381	10,060,881
NET ASSETS, September 30	\$ 3,728,609	\$ 6,416,434	\$ 10,145,043

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,722,366	\$ 859,167	\$ 2,581,533
Cash paid to suppliers	(1,588,290)	(537,197)	(2,125,487)
NET CASH PROVIDED BY OPERATING ACTIVITIES	134,076	321,970	456,046
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers (out)	(105,894)	(59,566)	(165,460)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(105,894)	(59,566)	(165,460)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of fixed assets	(200,529)	(30,250)	(230,779)
Interim financing proceeds	186,291	-	186,291
Bond proceeds	3,498,000	-	3,498,000
Grant proceeds	332,000	-	332,000
Payment of interim financing	(3,498,000)	-	(3,498,000)
Payment of bond and loan principal	(235,823)	(261,465)	(497,288)
Payment of interest expense	(288,567)	(215,997)	(504,564)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(206,628)	(507,712)	(714,340)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	31,635	119,118	150,753
NET CASH PROVIDED BY INVESTING ACTIVITIES	31,635	119,118	150,753
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(146,811)	(126,190)	(273,001)
CASH AND CASH EQUIVALENTS, Beginning of year	467,177	383,655	850,832
CASH AND CASH EQUIVALENTS, End of year	320,366	257,465	577,831
LESS RESTRICTED CASH AND CASH EQUIVALENTS	243,725	189,675	433,400
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 76,641	\$ 67,790	\$ 144,431
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 203,249	\$ 88,259	\$ 291,508
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	270,549	278,513	549,062
(Increase) decrease in:			
Utilities receivable	(38,423)	(33,870)	(72,293)
Inventory	(10,884)	(10,111)	(20,995)
Prepaid expenses	1	(481)	(480)
Other receivables	(22)	-	(22)
Increase (decrease) in:			
Accounts payable	(291,946)	152	(291,794)
Accrued expenses	(1,968)	(492)	(2,460)
Deposits payable	3,520	-	3,520
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 134,076	\$ 321,970	\$ 456,046

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bowling Green, Missouri, (the City) was incorporated in 1823 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 City cemeteries.

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

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, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary funds:

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

Sewer Fund: The Sewer Fund accounts for the activities and capital improvements of the City's 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)

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.

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.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of September 30, 2012, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	10/23/2012 - 6/13/2013	<u>\$ 398,868</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2012, all certificates of deposit are entirely insured or collateralized with securities.

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

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE D – RESTRICTED ASSETS

Governmental Activities

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

	Restricted Cash and Investments	Restricted Net Assets
	<u> </u>	<u> </u>
GENERAL FUND		
Court bonds	\$ 1,612	\$ -
Fire department	630	630
Flag reserves	1,273	1,273
	<u>\$ 3,515</u>	<u>\$ 1,903</u>
CEMETERY FUND		
Perpetual care	\$ 29,321	\$ 29,321
Cemetery tax	-	91,794
Cemetery donations	150	150
	<u>\$ 29,471</u>	<u>\$ 121,265</u>
PARK FUND		
Park sales tax	<u>\$ -</u>	<u>\$ 387,550</u>
LIBRARY FUND		
Library tax	<u>\$ -</u>	<u>\$ 61,300</u>
DEBT SERVICE FUND		
Debt service	<u>\$ 158,865</u>	<u>\$ 158,865</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE D – RESTRICTED ASSETS (continued)

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) and USDA Series 2012 A, B, and C Combined Waterworks and Sewerage System Revenue Bonds established amounts required to be deposited in certain sinking and reserve funds. All required deposits have been made. These special cash reserves are reported in the accompanying balance sheet as restricted cash and investments, and restricted net assets. Restricted cash and investments also include cash restricted for customer deposits, bond proceeds and grant funds. These restrictions are as follows:

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
WATER FUND		
2003C Revenue Bonds		
Principal and interest	\$ 65,770	\$ 65,770
Operation and maintenance	57,550	57,550
Depreciation and replacement	82,116	82,116
USDA Revenue Bonds		
Debt service reserve	10,626	10,626
Short lived asset reserve	18,813	18,813
Customer Deposits	66,400	-
	<u>\$ 301,275</u>	<u>\$ 234,875</u>
SEWER FUND		
2003B Revenue Bonds		
Principal and interest	\$ 66,451	\$ 66,451
Operation and maintenance	57,550	57,550
Depreciation and replacement	108,363	108,363
Restricted debt service	14,861	14,861
	<u>\$ 247,225</u>	<u>\$ 247,225</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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	\$ 54,668	\$ 6,165	\$ 48,503
Cemetery Fund	8,299	980	7,319
Library Fund	16,968	1,973	14,995
	<u>\$ 79,935</u>	<u>\$ 9,118</u>	<u>\$ 70,817</u>
UTILITIES RECEIVABLE			
Water Fund	\$ 160,029	\$ 1,023	\$ 159,006
Sewer Fund	81,008	671	80,337
	<u>\$ 241,037</u>	<u>\$ 1,694</u>	<u>\$ 239,343</u>

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

The Water Fund issued \$186,291 in additional interim financing notes through USDA Rural Development during the year, bringing the total issued to \$3,498,000. USDA revenue bonds were issued in the amount of \$3,498,000 in January 2012 to pay off the interim financing.

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

	Balance September 30, 2011	New Obligations	Retired	Balance September 30, 2012
Interim Financing Payable - USDA Rural Development	<u>\$ 3,311,709</u>	<u>\$ 186,291</u>	<u>\$ 3,498,000</u>	<u>\$ -</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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.

\$ 292,000

Principal and interest payments are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 93,000	\$ 10,638	\$ 103,638
2014	98,000	6,602	104,602
2015	101,000	2,247	103,247
	<u>\$ 292,000</u>	<u>\$ 19,487</u>	<u>\$ 311,487</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.

\$ 1,133,000

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Principal and interest payments are due as follows:

Year Ended September 30,	Principal	Interest	Total
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>\$ 1,133,000</u>	<u>\$ 424,007</u>	<u>\$ 1,557,007</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, 2012, the total outstanding balance on the loan is \$3,079,063.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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, 2011	New Obligations	Retired	Balance September 30, 2012	Amounts Due Within One Year
Leasehold Revenue Bonds	\$ 1,574,000	\$ -	\$ 149,000	\$ 1,425,000	\$ 156,000
Loan Payable	3,336,363	-	257,300	3,079,063	-
Compensated Absences	25,310	-	3,013	22,297	-
	<u>\$ 4,935,673</u>	<u>\$ -</u>	<u>\$ 409,313</u>	<u>\$ 4,526,360</u>	<u>\$ 156,000</u>

NOTE H – LONG-TERM DEBT – BUSINESS TYPE ACTIVITIES

Long-term debt in the Water and Sewer Funds 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), 2012A, B and C Combined Waterworks and Sewerage System Revenue Bonds, 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, 2012

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, 2012, are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
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>\$ 3,820,000</u>	<u>\$ 1,350,105</u>	<u>\$ 200,171</u>	<u>\$ 5,370,276</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, 2012

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, 2012, are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
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>\$ 1,250,000</u>	<u>\$ 171,865</u>	<u>\$ 38,200</u>	<u>\$ 1,460,065</u>

2012 Combined Waterworks and Sewerage System Revenue Bonds

In January 2012, the City entered into an agreement with the United States Department of Agriculture to issue \$2,019,000, \$500,000 and \$979,000 in Combined Waterworks and Sewerage System Revenue Bonds Series A, Series B, and Series C, respectively. The bonds bear interest at 2.375% to 4.0%. Principal and interest payments are due monthly each year.

The annual debt service requirements to amortize the principal on the bonds outstanding at September 30, 2012, are listed in the following tables:

Series 2012A

Year Ended September 30,	Principal	Interest	Total
2013	\$ 17,864	\$ 80,697	\$ 98,561
2014	31,831	79,445	111,276
2015	33,128	78,148	111,276
2016	34,478	76,798	111,276
2017	35,883	75,393	111,276
2018-2022	202,570	353,810	556,380
2023-2027	247,338	309,042	556,380
2028-2032	301,997	254,383	556,380
2033-2037	368,738	187,642	556,380
2038-2042	450,228	106,152	556,380
2043-2045	294,410	17,296	311,706
	<u>\$ 2,018,465</u>	<u>\$ 1,618,806</u>	<u>\$ 3,637,271</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Series 2012B

Year Ended September 30,	Principal	Interest	Total
2013	\$ 4,428	\$ 19,986	\$ 24,414
2014	7,890	19,674	27,564
2015	8,211	19,353	27,564
2016	8,546	19,018	27,564
2017	8,894	18,670	27,564
2018-2022	50,212	87,608	137,820
2023-2027	61,308	76,512	137,820
2028-2032	74,855	62,965	137,820
2033-2037	91,399	46,421	137,820
2038-2042	111,599	26,221	137,820
2043-2045	72,525	4,236	76,761
	<u>\$ 499,867</u>	<u>\$ 400,664</u>	<u>\$ 900,531</u>

Series 2012C

Year Ended September 30,	Principal	Interest	Total
2013	\$ 11,624	\$ 23,231	\$ 34,855
2014	20,389	22,751	43,140
2015	20,879	22,261	43,140
2016	21,380	21,760	43,140
2017	21,894	21,246	43,140
2018-2022	117,610	98,090	215,700
2023-2027	132,424	83,276	215,700
2028-2032	149,104	66,596	215,700
2033-2037	167,885	47,815	215,700
2038-2042	189,031	26,669	215,700
2043-2045	126,625	4,762	131,387
	<u>\$ 978,845</u>	<u>\$ 438,457</u>	<u>\$ 1,417,302</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

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
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>\$ 80,255</u>	<u>\$ 12,841</u>	<u>\$ 93,096</u>

The following table is a summary of the changes in the business-type activities long-term debt for the year ended September 30, 2012:

	Balance September 30, 2011	New Obligations	Retirements	Balance September 30, 2012	Amounts Due Within One Year
WATER FUND					
Revenue Bonds Payable	\$ 1,485,000	\$ 3,498,000	\$ 235,823	\$ 4,747,177	\$ 268,916
Less: Deferred loss on bond refunding	(37,739)	-	(6,289)	(31,450)	-
	<u>1,447,261</u>	<u>3,498,000</u>	<u>229,534</u>	<u>4,715,727</u>	<u>268,916</u>
SEWER FUND					
Revenue Bonds Payable	4,070,000	-	250,000	3,820,000	255,000
Loan Payable	91,720	-	11,465	80,255	11,465
	<u>4,161,720</u>	<u>-</u>	<u>261,465</u>	<u>3,900,255</u>	<u>266,465</u>
	<u>\$ 5,608,981</u>	<u>\$ 3,498,000</u>	<u>\$ 490,999</u>	<u>\$ 8,615,982</u>	<u>\$ 535,381</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE I – CAPITAL ASSETS

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

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 1,103,673	\$ -	\$ -	\$ 1,103,673
Construction in progress	38,825	-	38,825	-
Total Non-depreciable Capital Assets	1,142,498	<u>\$ -</u>	<u>\$ 38,825</u>	1,103,673
Depreciable capital assets				
Building and improvements	2,347,015	\$ 24,963	\$ -	2,371,978
Machinery and equipment	1,045,278	-	-	1,045,278
Infrastructure	7,628,390	475,893	-	8,104,283
Total Depreciable Capital Assets	11,020,683	<u>\$ 500,856</u>	<u>\$ -</u>	11,521,539
Less Accumulated Depreciation				
Buildings and improvements	361,140	\$ 49,576	\$ -	410,716
Machinery and equipment	685,210	65,246	-	750,456
Infrastructure	1,310,266	152,924	-	1,463,190
Total Accumulated Depreciation	2,356,616	<u>\$ 267,746</u>	<u>\$ -</u>	2,624,362
Total Depreciable Capital Assets, net	8,664,067			8,897,177
Total Governmental Activities Capital Assets, net	<u>\$ 9,806,565</u>			<u>\$ 10,000,850</u>

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

Administration	\$ 11,524
Community center	2,457
Library	1,731
Public safety	20,066
Fire	5,137
Park	21,357
Airport	17,508
Street	187,966
	<u>\$ 267,746</u>

CITY OF BOWLING GREEN, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE I – CAPITAL ASSETS (continued)

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
BUSINESS-TYPE ACTIVITIES				
Water Fund				
Non-depreciable assets				
Land	\$ 57,354	\$ -	\$ -	\$ 57,354
Construction-in-progress	4,438,404	180,244	4,618,648	-
Total non-depreciable assets	4,495,758	<u>\$ 180,244</u>	<u>\$ 4,618,648</u>	57,354
Depreciable assets				
Water system	4,976,608	\$ 4,618,648	\$ -	9,595,256
Pumping and purification	1,785,541	20,285	-	1,805,826
Lake	1,390,711	-	-	1,390,711
Total depreciable assets	8,152,860	<u>\$ 4,638,933</u>	<u>\$ -</u>	12,791,793
Less accumulated depreciation	4,650,686	<u>\$ 270,549</u>	<u>\$ -</u>	4,921,235
Depreciable Capital Assets, net	3,502,174			7,870,558
Sewer Fund				
Non-depreciable assets				
Land	146,276	<u>\$ -</u>	<u>\$ -</u>	146,276
Depreciable assets				
Sewer system	13,286,822	<u>\$ 30,250</u>	<u>\$ -</u>	13,317,072
Less accumulated depreciation	3,297,377	<u>\$ 278,513</u>	<u>\$ -</u>	3,575,890
Depreciable Capital Assets, net	9,989,445			9,741,182
Total Capital Assets				
Business-Type Activities, net	<u>\$ 18,133,653</u>			<u>\$ 17,815,370</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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 2.4% (General) and 2.4% (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	\$ 14,896
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>14,896</u>
Actual contributions	<u>14,896</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, 2012

NOTE J – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2009, and February 28, 2010, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, 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 28, 2009, was 16 years for the General division and 10 years for the Police division. The amortization period as of February 28, 2010, was 6 years for the General division and 8 years for the Police division.

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 2,333	100%	\$ -
2011	7,998	100%	-
2012	14,896	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
02/29/2012	\$ 1,008,281	\$ 845,377	\$ (162,904)	119%	\$ 666,116	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, 2012

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>2011</u>
Assessed Valuation	
Real estate	\$ 29,157,746
Personal property	<u>6,895,819</u>
TOTAL	<u>\$ 36,053,565</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, 2012, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 3,605,357	\$ 3,605,357	\$ 7,210,714
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 3,605,357</u>	<u>\$ 3,605,357</u>	<u>\$ 7,210,714</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, 2012

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, 2012, is accounted for as follows:

General Fund	
Deferred court fines	<u>\$ 69,739</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, 2012

NOTE N – DEFERRED BOND ISSUE COSTS (continued)

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

	Unamortized Debt Issue Costs September 30, 2011	Additions	Current Amortization	Unamortized Debt Issue Costs September 30, 2012
Business-type Activities				
Water Fund	\$ 28,348	\$ -	\$ 4,725	\$ 23,623
Sewer Fund	41,265	-	2,948	38,317
	<u>\$ 69,613</u>	<u>\$ -</u>	<u>\$ 7,673</u>	<u>\$ 61,940</u>
Governmental Activities	<u>\$ 37,714</u>	<u>\$ -</u>	<u>\$ 5,294</u>	<u>\$ 32,420</u>

NOTE O – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2012, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 165,460	\$ 157,781
Park Fund	-	22,274
Library Fund	-	5,835
Debt Service Fund	278,652	-
Capital Projects Fund	-	92,762
Water Fund	-	105,894
Sewer Fund	-	59,566
	<u>\$ 444,112</u>	<u>\$ 444,112</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, 2012

NOTE P – INTERNAL BALANCES

Internal balances as of September 30, 2012, 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, 2012, 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, 2012, 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 August 7, 2007, the City passed a \$3,000,000 bond issue for the purpose of acquiring, constructing, extending, improving, furnishing and equipping the City's combined waterworks and sewerage system. As of September 30, 2012, \$922,000 of the 2007 bond ordinances had not been issued.

CITY OF BOWLING GREEN, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE S – COMMITMENT

At September 30, 2012, the City had the following commitment:

- Alliance Water Resource, Inc. in the amount of \$1,130,548 for professional services which include providing management, operation, and maintenance of the water and sewer system during fiscal year 2013.

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 and 2012 Series A, B, and C Waterworks and Sewerage System Combined Revenue Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2045. 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 \$12,547,074. Principal and interest paid for the current year and total customer net revenues were \$809,570 and \$840,570, respectively.

NOTE U – SUBSEQUENT EVENT

In October 2012, the City issued \$1,335,000 in 2012 Refunding Certificates of Participation to pay off the 2004A and B Leasehold Revenue Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOWLING GREEN, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2012

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
02/28/2010	\$ 946,272	\$ 684,683	\$ (261,589)	138%	\$ 592,654	0%
02/28/2011	995,191	833,919	(161,272)	119%	695,433	0%
02/29/2012	1,008,281	845,377	(162,904)	119%	666,116	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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 198,312	\$ 198,312	\$ 191,504	\$ (6,808)
City sales tax	700,000	700,000	744,597	44,597
Transportation sales tax	350,000	350,000	354,425	4,425
Financial institution tax	3,000	3,000	2,602	(398)
Railroad and utility tax	21,000	21,000	29,464	8,464
Surtax	4,000	4,000	4,396	396
Utility franchise tax	350,000	350,000	309,186	(40,814)
Motor vehicle tax	126,500	126,500	185,630	59,130
Payment in lieu of taxes	200,000	200,000	200,000	-
Lodging tax	45,000	45,000	46,414	1,414
Cigarette tax	21,000	21,000	22,509	1,509
	<u>2,018,812</u>	<u>2,018,812</u>	<u>2,090,727</u>	<u>71,915</u>
Licenses and Permits				
Occupational licenses	9,000	9,000	10,443	1,443
Building permits	22,000	22,000	10,497	(11,503)
Animal license and fees	650	650	660	10
	<u>31,650</u>	<u>31,650</u>	<u>21,600</u>	<u>(10,050)</u>
Intergovernmental Revenues				
Airport grant	425,000	425,000	354,324	(70,676)
Police grant	5,000	5,000	1,841	(3,159)
	<u>430,000</u>	<u>430,000</u>	<u>356,165</u>	<u>(73,835)</u>
Charges for Services				
Printing	-	-	350	350
Airport fuel	65,000	65,000	24,503	(40,497)
Trash billing	159,549	159,549	6,437	(153,112)
	<u>224,549</u>	<u>224,549</u>	<u>31,290</u>	<u>(193,259)</u>
Fines and Forfeitures				
City court fines	54,500	54,500	39,795	(14,705)
Miscellaneous				
Rents and royalties	23,800	23,800	27,309	3,509
Interest	10,000	10,000	4,056	(5,944)
Donations	-	-	1,173	1,173
Other	249,843	249,843	81,696	(168,147)
	<u>283,643</u>	<u>283,643</u>	<u>114,234</u>	<u>(169,409)</u>
TOTAL REVENUES	3,043,154	3,043,154	2,653,811	(389,343)

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	347,490	347,490	424,763	(77,273)
Public safety	928,444	928,444	875,677	52,767
Fire	39,469	39,469	32,377	7,092
Community center	13,526	13,526	22,414	(8,888)
Airport	8,700	8,700	402,182	(393,482)
Street	954,143	954,143	414,343	539,800
Municipal court	10,451	10,451	8,431	2,020
Planning and zoning	68,361	68,361	66,070	2,291
Other	-	-	2,940	(2,940)
Debt Service				
Principal and interest	360,000	360,000	386,956	(26,956)
TOTAL EXPENDITURES	2,730,584	2,730,584	2,636,153	94,431
EXCESS OF REVENUES OVER EXPENDITURES				
	312,570	312,570	17,658	(294,912)
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Water Fund	-	-	105,894	105,894
Sewer Fund	-	-	59,566	59,566
Operating transfers (out)				
Debt Service Fund	(179,530)	(179,530)	(157,781)	21,749
TOTAL OTHER FINANCING SOURCES (USES)	(179,530)	(179,530)	7,679	187,209
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	133,040	133,040	25,337	(107,703)
FUND BALANCE, October 1	327,658	327,658	327,658	-
FUND BALANCE, September 30	<u>\$ 460,698</u>	<u>\$ 460,698</u>	<u>\$ 352,995</u>	<u>\$ (107,703)</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes and penalties	\$ 30,200	\$ 30,200	\$ 29,257	\$ (943)
Financial institution tax	400	400	421	21
Railroad and utility tax	3,200	3,200	4,766	1,566
Surtax	750	750	711	(39)
	<u>34,550</u>	<u>34,550</u>	<u>35,155</u>	<u>605</u>
Charges for services				
Sale of lots	4,500	4,500	3,400	(1,100)
Miscellaneous				
Interest	400	400	431	31
TOTAL REVENUES	<u>39,450</u>	<u>39,450</u>	<u>38,986</u>	<u>(464)</u>
EXPENDITURES				
Cemetery	<u>39,275</u>	<u>39,275</u>	<u>38,639</u>	<u>636</u>
TOTAL EXPENDITURES	<u>39,275</u>	<u>39,275</u>	<u>38,639</u>	<u>636</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	175	175	347	172
FUND BALANCE, October 1	<u>121,526</u>	<u>121,526</u>	<u>121,526</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 121,701</u>	<u>\$ 121,701</u>	<u>\$ 121,873</u>	<u>\$ 172</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 155,000	\$ 155,000	\$ 177,213	\$ 22,213
Charges for Services				
League and tournament fees	800	800	1,025	225
Miscellaneous				
Interest	750	750	796	46
Other	50,000	50,000	1,509	(48,491)
	<u>50,750</u>	<u>50,750</u>	<u>2,305</u>	<u>(48,445)</u>
TOTAL REVENUES	206,550	206,550	180,543	(26,007)
EXPENDITURES				
Park	155,609	155,609	152,468	3,141
Pool	19,675	19,675	14,869	4,806
	<u>175,284</u>	<u>175,284</u>	<u>167,337</u>	<u>7,947</u>
TOTAL EXPENDITURES	175,284	175,284	167,337	7,947
EXCESS OF REVENUES OVER EXPENDITURES	31,266	31,266	13,206	(18,060)
OTHER FINANCING (USES)				
Operating transfers (out)				
Debt Service Fund	(29,549)	(29,549)	(22,274)	7,275
	<u>(29,549)</u>	<u>(29,549)</u>	<u>(22,274)</u>	<u>7,275</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	1,717	1,717	(9,068)	(10,785)
FUND BALANCE, October 1	398,000	398,000	398,000	-
FUND BALANCE, September 30	<u>\$ 399,717</u>	<u>\$ 399,717</u>	<u>\$ 388,932</u>	<u>\$ (10,785)</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes and penalties	\$ 59,561	\$ 59,561	\$ 58,912	\$ (649)
Financial institution tax	300	300	803	503
Railroad and utility tax	7,000	7,000	9,099	2,099
Surtax	1,000	1,000	1,357	357
	<u>67,861</u>	<u>67,861</u>	<u>70,171</u>	<u>2,310</u>
Intergovernmental Revenues				
State grants	4,133	4,133	2,667	(1,466)
Charges for Services				
Fines, fees and memberships	3,800	3,800	4,410	610
Miscellaneous				
Donations	10,000	10,000	3,215	(6,785)
Interest	200	200	292	92
Other	250	250	454	204
	<u>10,450</u>	<u>10,450</u>	<u>3,961</u>	<u>(6,489)</u>
TOTAL REVENUES	86,244	86,244	81,209	(5,035)
EXPENDITURES				
Library	78,731	78,731	78,682	49
TOTAL EXPENDITURES	<u>78,731</u>	<u>78,731</u>	<u>78,682</u>	<u>49</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	7,513	7,513	2,527	(4,986)
OTHER FINANCING (USES)				
Operating transfers (out)				
Debt Service Fund	(6,271)	(6,271)	(5,835)	436
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)				
	1,242	1,242	(3,308)	(4,550)
FUND BALANCE, October 1	<u>65,418</u>	<u>65,418</u>	<u>65,418</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 66,660</u>	<u>\$ 66,660</u>	<u>\$ 62,110</u>	<u>\$ (4,550)</u>

CITY OF BOWLING GREEN, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2012

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, 2012, which collectively comprise the City of Bowling Green, Missouri's basic financial statements, and have issued our report thereon dated February 13, 2013. 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

Management of the City of Bowling Green, Missouri, is responsible for establishing and maintaining effective internal controls 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. It is identified as item 12-1.

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 finding 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 13, 2013.

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 13, 2013



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 the City of Bowling Green, Missouri's major federal program for the year ended September 30, 2012. 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 are applicable to its major federal program for the year ended September 30, 2012.

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 13, 2013

CITY OF BOWLING GREEN, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended September 30, 2012

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	\$ 244,737
TOTAL U.S. DEPARTMENT OF AGRICULTURE			244,737
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Missouri Department of Economic Development			
Community Development Block Grants	14.228	2008-PF-952	51,300
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			51,300
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Airport Improvement Program	20.106	11-051A-1	354,324
University of Central Missouri			
Highway Safety Cluster			
State and Community Highway Safety Grant	20.600	12-OP-05-005	951
Child Safety and Child Booster Seats Incentive Grant	20.613	SAF008	398
Alcohol Open Container Requirements	20.607	12-154-AL-083	491
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			356,164
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Missouri Department of Natural Resources			
Capitalization Grant for Clean Water State Revolving Funds	66.458	N/A	28,609
Capitalization Grant for Drinking Water State Revolving Funds	66.468	N/A	4,043
TOTAL ENVIRONMENTAL PROTECTION AGENCY			32,652
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 684,853

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, 2012

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements.
2. One material weakness disclosed during the audit of the financial statements is 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:

Airport Improvement Program	20.106
-----------------------------	--------
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 WEAKNESS

12-1 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, 2012

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.

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, 2012

There were no prior year audit findings.