

CITY OF BOWLING GREEN, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2013

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules and Schedule 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.

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

Other Information

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of the City of Bowling Green, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bowling Green, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
January 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2013**

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, 2013. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net position of the City's governmental activities increased by \$237,411 for the year as a result of current year activities. The net position of the City's business activities decreased by \$37,875 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2013, by \$16.9 million (net position). Of this amount \$1,015,145 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$851,474 during the year.
- Total revenues decreased 7% compared to prior year revenues, while total expenses decreased 1%.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position 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 position and changes in it. The City's net position – 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 position are indicators of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2013

Government-Wide Financial Statements (continued)

In the Statement of Net Position 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 Position 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 Position 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, 2013**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2013 and 2012, as restated:

	Governmental Activities	Business-Type Activities	Total September 30, 2013	Total September 30, 2012
Current and other assets	\$ 1,160,672	\$ 969,939	\$ 2,130,611	\$ 2,315,395
Capital assets	10,007,428	17,338,468	27,345,896	27,816,220
TOTAL ASSETS	11,168,100	18,308,407	29,476,507	30,131,615
Other liabilities	246,119	747,519	993,638	996,808
Long-term liabilities outstanding	4,083,827	7,515,660	11,599,487	12,450,961
TOTAL LIABILITIES	4,329,946	8,263,179	12,593,125	13,447,769
Net position:				
Net investment in capital assets	5,845,115	9,246,398	15,091,513	14,696,175
Restricted				
Non-expendable	29,321	-	29,321	29,321
Expendable	403,106	344,297	747,403	1,183,662
Unrestricted	560,612	454,533	1,015,145	774,688
TOTAL NET POSITION	\$ 6,838,154	\$ 10,045,228	\$ 16,883,382	\$ 16,683,846

Total net position of the City increased by \$199,536 for the year due to current year activity. Total liabilities for the City decreased \$854,644.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2013**

CHANGE IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2013	Total Year Ended September 30, 2012
REVENUES				
Program Revenues				
Charges for services	\$ 172,305	\$ 2,588,283	\$ 2,760,588	\$ 2,776,494
Operating grants and contributions	17,368	-	17,368	10,540
Capital grants and contributions	1,965	-	1,965	737,624
General Revenues				
Property taxes	310,627	-	310,627	279,672
Sales taxes	1,347,329	-	1,347,329	1,276,235
Motor vehicle taxes	191,851	-	191,851	185,630
Other taxes	326,983	-	326,983	322,543
Franchise fees	324,546	-	324,546	309,186
Interest	3,404	137,975	141,379	156,330
Other revenue	233,072	-	233,072	39,164
TOTAL REVENUES	2,929,450	2,726,258	5,655,708	6,093,418
EXPENSES				
Administrative	356,146	-	356,146	437,314
Public safety	929,046	-	929,046	894,236
Fire	41,424	-	41,424	37,514
Community center	19,470	-	19,470	24,871
Airport	96,817	-	96,817	59,275
Street	629,070	-	629,070	602,308
Municipal court	8,794	-	8,794	8,431
Planning and zoning	69,192	-	69,192	66,070
Cemetery	40,557	-	40,557	38,639
Park	165,481	-	165,481	158,467
Pool	14,532	-	14,532	14,869
Library	89,612	-	89,612	80,847
Other	3,655	-	3,655	2,940
Debt service	228,243	-	228,243	203,274
Water	-	1,761,440	1,761,440	1,861,901
Sewer	-	1,002,693	1,002,693	1,021,536
TOTAL EXPENSES	2,692,039	2,764,133	5,456,172	5,512,492
INCREASE (DECREASE) IN NET POSITION	\$ 237,411	\$ (37,875)	\$ 199,536	\$ 580,926

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2013**

Governmental Activities

Governmental activities increased the net position of the City by \$237,411. Tax revenues for the City were \$2,501,336 which represents 85% of the financing of these activities. Program revenues for the functions totaled \$191,638. 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	\$ 356,146	\$ 337,914
Public safety	929,046	858,138
Fire	41,424	41,424
Airport	96,817	15,464
Street	629,070	629,055
Planning and zoning	69,192	63,677
Park	165,481	164,731
Community center	19,470	19,470
Library	89,612	80,057
Debt service	228,243	228,243
Other government activities	67,538	62,228
	<u>\$ 2,692,039</u>	<u>\$ 2,500,401</u>

Business-Type Activities

Business-type activities decreased the City's net position by \$37,875.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2013, were \$1,052,290. The General Fund increased by \$265,699. The Cemetery Fund decreased by \$2,192. The Park Fund decreased by \$135,907. The Library Fund decreased by \$1,220. The Debt Service Fund decreased by \$158,865. The Capital Projects Fund did not change from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2013**

General Fund Budgetary Highlights

Revenues

The original revenue budget of \$2,694,600 did not change during the year.

Expenditures

The original expenditure budget of \$2,602,100 was increased to \$2,659,611 during the year.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$10,007,428 (net of accumulated depreciation) as of September 30, 2013. Net capital assets for business-type activities were \$17,338,468 as of September 30, 2013.

Debt

Total debt of the governmental activities as of September 30, 2013, was \$4,272,016, which is down from \$4,526,360 in the prior year.

Total long-term debt of the business-type activities as of September 30, 2013, was \$8,092,070, which is down from \$8,615,982 in the prior year.

Economic Factors and Next Year's Budget

- New commercial and residential development continues within the community. Anticipated new development includes the construction of several single-family residential structures and the occupancy of two additional tenant spaces located in the Wal-Mart Town Center project area.
- The 2013-2014 Fiscal Year budget was prepared as a realistic projection of revenue and expenditures. The City anticipates undertaking several new projects including landscaping improvements and a new copier at the library; completion of wrought iron fencing at the cemetery; walking path lighting, fitness stations and the addition of a sand volleyball court in the City Park; rehabilitation of one of the filter media beds at the Water Plant; blower rehabilitation at the Wastewater Plant; and, completion of the Martin/Hanson street drainage improvement project and replacement of the servers for both City Hall and the Police Department
- City staff, Mayor and Board of Aldermen receives and reviews the financial status of the City throughout the fiscal year. This action will continue as a means to aggressively monitor and manage the City's finances.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BOWLING GREEN, MISSOURI
SEPTEMBER 30, 2013**

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
Donna Colbert, Treasurer

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF NET POSITION
September 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 414,875	\$ 159,986	\$ 574,861
Investments - unrestricted	255,774	-	255,774
Ad valorem taxes receivable, net	45,306	-	45,306
Sales tax receivable	220,425	-	220,425
Utilities receivable, net	-	281,293	281,293
Other accounts receivable	90,702	22	90,724
Court fines receivable	67,697	-	67,697
Accrued interest receivable	1,858	-	1,858
Inventory	-	102,731	102,731
Prepaid expenses	25,607	12,570	38,177
Restricted cash and cash equivalents	10,230	298,237	308,467
Restricted investments	28,198	115,100	143,298
Capital Assets:			
Non-depreciable	1,103,673	203,630	1,307,303
Depreciable, net	8,903,755	17,134,838	26,038,593
TOTAL ASSETS	11,168,100	18,308,407	29,476,507
LIABILITIES			
Current			
Accounts payable	29,776	37,680	67,456
Accrued expenses	5,834	-	5,834
Deposits payable	6,570	69,040	75,610
Court bonds payable	484	-	484
Accrued interest payable	15,266	64,389	79,655
Current maturities of long-term debt	188,189	576,410	764,599
	246,119	747,519	993,638
Noncurrent			
Revenue bonds payable	-	7,458,335	7,458,335
Certificates of participation payable	1,160,000	-	1,160,000
Loan payable	2,814,124	57,325	2,871,449
Leases payable	85,580	-	85,580
Compensated absences	24,123	-	24,123
	4,083,827	7,515,660	11,599,487
TOTAL LIABILITIES	4,329,946	8,263,179	12,593,125
NET POSITION			
Net investment in capital assets	5,845,115	9,246,398	15,091,513
Restricted			
Non-expendable	29,321	-	29,321
Expendable	403,106	344,297	747,403
Unrestricted	560,612	454,533	1,015,145
TOTAL NET POSITION	\$ 6,838,154	\$ 10,045,228	\$ 16,883,382

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Administrative	\$ (356,146)	\$ 16,268	\$ 14	\$ 1,950	\$ (337,914)	\$ -	\$ (337,914)
Public safety	(929,046)	58,966	11,942	-	(858,138)	-	(858,138)
Fire	(41,424)	-	-	-	(41,424)	-	(41,424)
Community center	(19,470)	-	-	-	(19,470)	-	(19,470)
Airport	(96,817)	81,353	-	-	(15,464)	-	(15,464)
Street	(629,070)	-	-	15	(629,055)	-	(629,055)
Municipal court	(8,794)	-	-	-	(8,794)	-	(8,794)
Planning and zoning	(69,192)	5,515	-	-	(63,677)	-	(63,677)
Cemetery	(40,557)	5,310	-	-	(35,247)	-	(35,247)
Park	(165,481)	625	125	-	(164,731)	-	(164,731)
Pool	(14,532)	-	-	-	(14,532)	-	(14,532)
Library	(89,612)	4,268	5,287	-	(80,057)	-	(80,057)
Other	(3,655)	-	-	-	(3,655)	-	(3,655)
Debt service	(228,243)	-	-	-	(228,243)	-	(228,243)
TOTAL GOVERNMENTAL ACTIVITIES	(2,692,039)	172,305	17,368	1,965	(2,500,401)	-	(2,500,401)
Business-Type Activities							
Water	(1,761,440)	1,674,727	-	-	-	(86,713)	(86,713)
Sewer	(1,002,693)	913,556	-	-	-	(89,137)	(89,137)
TOTAL BUSINESS-TYPE ACTIVITIES	(2,764,133)	2,588,283	-	-	-	(175,850)	(175,850)
TOTAL GOVERNMENT	\$ (5,456,172)	\$ 2,760,588	\$ 17,368	\$ 1,965	(2,500,401)	(175,850)	(2,676,251)
General Revenues:							
					310,627	-	310,627
					1,347,329	-	1,347,329
					191,851	-	191,851
					326,983	-	326,983
					324,546	-	324,546
					3,404	137,975	141,379
					233,072	-	233,072
				Total General Revenues	2,737,812	137,975	2,875,787
				Changes in Net Position	237,411	(37,875)	199,536
				Net Position, Beginning of year, as restated	6,600,743	10,083,103	16,683,846
				Net Position, End of year	\$ 6,838,154	\$ 10,045,228	\$ 16,883,382

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2013

	General Fund	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Governmental Funds
		Cemetery Fund	Park Fund	Library Fund			
ASSETS							
Cash and cash equivalents - unrestricted	\$ 98,679	\$ 85,094	\$ 183,602	\$ 47,500	\$ -	\$ -	\$ 414,875
Investments - unrestricted	250,000	-	-	5,774	-	-	255,774
Ad valorem taxes receivable, net	31,220	4,419	-	9,667	-	-	45,306
Sales tax receivable	194,124	-	26,301	-	-	-	220,425
Other accounts receivable	90,702	-	-	-	-	-	90,702
Court fines receivable	67,697	-	-	-	-	-	67,697
Accrued interest receivable	1,834	21	-	3	-	-	1,858
Prepaid expenses	22,535	676	1,518	878	-	-	25,607
Due from other funds	-	-	41,767	-	-	-	41,767
Restricted cash and cash equivalents	8,957	1,273	-	-	-	-	10,230
Restricted investments	-	28,198	-	-	-	-	28,198
TOTAL ASSETS	\$ 765,748	\$ 119,681	\$ 253,188	\$ 63,822	\$ -	\$ -	\$ 1,202,439
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 29,631	\$ -	\$ 98	\$ 47	\$ -	\$ -	\$ 29,776
Accrued expenses	5,252	-	65	517	-	-	5,834
Due to other funds	39,399	-	-	2,368	-	-	41,767
Court bonds payable	484	-	-	-	-	-	484
Deposits payable	6,570	-	-	-	-	-	6,570
TOTAL LIABILITIES	81,336	-	163	2,932	-	-	84,431

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2013

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total Governmental Funds
	General Fund	Cemetery Fund	Park Fund	Library Fund			
Deferred Inflows of Resources							
Deferred court fines	65,718	-	-	-	-	-	65,718
TOTAL DEFERRED INFLOWS OF RESOURCES	65,718	-	-	-	-	-	65,718
Fund Balances							
Nonspendable:							
Cemetery perpetual care	-	29,321	-	-	-	-	29,321
Prepaid items	22,535	676	1,518	878	-	-	25,607
Restricted for:							
Fire department	630	-	-	-	-	-	630
Flag reserves	1,273	-	-	-	-	-	1,273
Cemetery donations	-	150	-	-	-	-	150
Cemetery	-	89,534	-	-	-	-	89,534
Park	-	-	251,507	-	-	-	251,507
Library	-	-	-	60,012	-	-	60,012
Unassigned	594,256	-	-	-	-	-	594,256
TOTAL FUND BALANCES	618,694	119,681	253,025	60,890	-	-	1,052,290
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 765,748</u>	<u>\$ 119,681</u>	<u>\$ 253,188</u>	<u>\$ 63,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,202,439</u>

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 September 30, 2013

Fund balance - total governmental funds	\$ 1,052,290
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	12,892,075
Less accumulated depreciation	<u>(2,884,647)</u>
	10,007,428
Adjustment of deferred inflows of resources	65,718
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(15,266)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(4,272,016)</u>
Net position of governmental activities	<u><u>\$ 6,838,154</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, 2013

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES							
Taxes	\$ 2,197,336	\$ 38,969	\$ 187,203	\$ 77,828	\$ -	\$ -	\$ 2,501,336
Licenses and permits	18,730	-	-	-	-	-	18,730
Intergovernmental revenues	10,931	-	-	3,174	-	-	14,105
Charges for services	68,921	5,310	625	4,268	-	-	79,124
Fines and forfeitures	60,885	-	-	-	-	-	60,885
Miscellaneous	253,702	460	2,155	2,961	13	-	259,291
TOTAL REVENUES	2,610,505	44,739	189,983	88,231	13	-	2,933,471
EXPENDITURES							
Current							
Administrative	343,709	-	-	-	-	-	343,709
Public safety	912,629	-	-	-	-	-	912,629
Fire	36,287	-	-	-	-	65,000	101,287
Community center	17,013	-	-	-	-	-	17,013
Airport	72,471	-	-	-	-	-	72,471
Street	485,084	-	-	-	-	-	485,084
Municipal court	8,794	-	-	-	-	-	8,794
Planning and zoning	69,192	-	-	-	-	-	69,192
Cemetery	-	46,931	-	-	-	-	46,931
Park	-	-	305,370	-	-	-	305,370
Pool	-	-	14,532	-	-	-	14,532
Library	-	-	-	87,881	-	-	87,881
Other	3,655	-	-	-	-	-	3,655
Debt Service							
Principal, interest and fees	463,705	-	10,175	3,273	1,458,929	-	1,936,082
TOTAL EXPENDITURES	2,412,539	46,931	330,077	91,154	1,458,929	65,000	4,404,630

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended September 30, 2013

	General Fund	Cemetery Fund	Park Fund	Library Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	197,966	(2,192)	(140,094)	(2,923)	(1,458,916)	(65,000)	(1,471,159)
OTHER FINANCING SOURCES (USES)							
Certificate of Participation proceeds	1,133,148	-	159,933	41,919	-	-	1,335,000
Lease proceeds	38,674	-	-	-	-	65,000	103,674
Operating transfers in (out)	(1,104,089)	-	(155,746)	(40,216)	1,300,051	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>67,733</u>	<u>-</u>	<u>4,187</u>	<u>1,703</u>	<u>1,300,051</u>	<u>65,000</u>	<u>1,438,674</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	265,699	(2,192)	(135,907)	(1,220)	(158,865)	-	(32,485)
FUND BALANCE, October 1	<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>
FUND BALANCE, September 30	<u>\$ 618,694</u>	<u>\$ 119,681</u>	<u>\$ 253,025</u>	<u>\$ 60,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,052,290</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, 2013

Net change in fund balances - total governmental funds \$ (32,485)

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	266,863
Depreciation	(260,285)
	<u>6,578</u>

Some revenues reported in the governmental funds represent current financial
 resources and were recognized in the Statement of Activities when earned. (4,021)

Some expenditures reported in the governmental funds represent the use
 of current financial resources and were recognized in the Statement of
 Activities when incurred. (1,826)

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. 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:

Certificate of participation proceeds	(1,335,000)
Lease proceeds	(103,674)
Repayment of principal on bonds, loans and leases	1,694,844
Accrued interest payable	12,995
	<u>269,165</u>

Change in net position of governmental activities \$ 237,411

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 35,430	\$ 124,556	\$ 159,986
Utilities receivable, net	191,608	89,685	281,293
Other accounts receivable	22	-	22
Inventory	59,001	43,730	102,731
Prepaid expenses	7,629	4,941	12,570
TOTAL CURRENT ASSETS	293,690	262,912	556,602
Restricted Assets			
Cash and cash equivalents	216,229	82,008	298,237
Investments	57,550	57,550	115,100
TOTAL RESTRICTED ASSETS	273,779	139,558	413,337
Property, Plant and Equipment			
Land	57,354	146,276	203,630
Sewer system	-	13,365,076	13,365,076
Water system	9,617,361	-	9,617,361
Pumping and purification	1,805,826	-	1,805,826
Lake	1,395,761	-	1,395,761
	12,876,302	13,511,352	26,387,654
Less accumulated depreciation	(5,212,796)	(3,836,390)	(9,049,186)
TOTAL PROPERTY, PLANT AND EQUIPMENT	7,663,506	9,674,962	17,338,468
TOTAL ASSETS	8,230,975	10,077,432	18,308,407
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	37,680	-	37,680
Deposits payable	69,040	-	69,040
Accrued interest payable	21,424	42,965	64,389
Current maturities of long-term debt	304,945	271,465	576,410
TOTAL CURRENT LIABILITIES	433,089	314,430	747,519
Long-Term Liabilities			
Revenue bonds payable	4,153,335	3,305,000	7,458,335
Loan payable	-	57,325	57,325
TOTAL LONG-TERM LIABILITIES	4,153,335	3,362,325	7,515,660
TOTAL LIABILITIES	4,586,424	3,676,755	8,263,179
Net Position			
Net investment in capital assets	3,205,226	6,041,172	9,246,398
Restricted	204,739	139,558	344,297
Unrestricted	234,586	219,947	454,533
TOTAL NET POSITION	\$ 3,644,551	\$ 6,400,677	\$ 10,045,228

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended September 30, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,668,544	\$ 883,188	\$ 2,551,732
Miscellaneous	6,183	30,368	36,551
TOTAL OPERATING REVENUES	1,674,727	913,556	2,588,283
OPERATING EXPENSES			
Administration	86,700	73,841	160,541
Legal and professional	25,413	26,876	52,289
Service agreement	499,252	237,132	736,384
Purchased services	326	2,170	2,496
Utilities	70,799	127,268	198,067
Maintenance	23,795	29,189	52,984
Supplies	134,581	27,031	161,612
Water purchased	409,422	-	409,422
Insurance	30,332	13,092	43,424
Depreciation	291,561	260,500	552,061
Miscellaneous	-	2,193	2,193
TOTAL OPERATING EXPENSES	1,572,181	799,292	2,371,473
OPERATING INCOME	102,546	114,264	216,810
NONOPERATING REVENUES (EXPENSES)			
Interest income	26,278	111,697	137,975
Interest expense	(189,259)	(203,401)	(392,660)
TOTAL NONOPERATING REVENUES (EXPENSES)	(162,981)	(91,704)	(254,685)
NET INCOME (LOSS)	(60,435)	22,560	(37,875)
NET POSITION, October 1, as restated	3,704,986	6,378,117	10,083,103
NET POSITION, September 30	\$ 3,644,551	\$ 6,400,677	\$ 10,045,228

See accompanying notes.

CITY OF BOWLING GREEN, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,645,236	\$ 904,208	\$ 2,549,444
Cash paid to suppliers	(1,263,960)	(546,577)	(1,810,537)
NET CASH PROVIDED BY OPERATING ACTIVITIES	381,276	357,631	738,907
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of fixed assets	(27,155)	(48,004)	(75,159)
Payment of bond and loan principal	(263,738)	(266,465)	(530,203)
Payment of interest expense	(185,368)	(205,760)	(391,128)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(476,261)	(520,229)	(996,490)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	26,278	111,697	137,975
NET CASH PROVIDED BY INVESTING ACTIVITIES	26,278	111,697	137,975
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,707)	(50,901)	(119,608)
CASH AND CASH EQUIVALENTS, Beginning of year	320,366	257,465	577,831
CASH AND CASH EQUIVALENTS, End of year	251,659	206,564	458,223
LESS RESTRICTED CASH AND CASH EQUIVALENTS	216,229	82,008	298,237
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 35,430</u>	<u>\$ 124,556</u>	<u>\$ 159,986</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 102,546	\$ 114,264	\$ 216,810
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	291,561	260,500	552,061
(Increase) decrease in:			
Utilities receivable	(32,602)	(9,348)	(41,950)
Inventory	12,769	(7,155)	5,614
Prepaid expenses	(444)	(478)	(922)
Other receivables	471	-	471
Increase (decrease) in:			
Accounts payable	4,335	(152)	4,183
Deposits payable	2,640	-	2,640
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 381,276</u>	<u>\$ 357,631</u>	<u>\$ 738,907</u>

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. 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Position 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 Position, 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Position.

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 Position

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

Net Investment in Capital Assets – 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 position 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 position that does not meet the definition of restricted or net investment in capital assets.

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

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.

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.

New Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* for reporting periods beginning after December 15, 2011. This statement provides financial reporting guidance and standardization for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements of Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis*, by incorporating deferred inflows and deferred outflows into the definition of the required components of residual measure and by renaming that measure as net position, rather than net assets.

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (GASB 65) effective for reporting periods beginning after December 15, 2012, though early application was encouraged. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

The City adopted GASB Statements No. 63 and 65 for the year ended September 30, 2013.

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, 2013, all bank balances on deposit are entirely insured or collateralized.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE C – INVESTMENTS

Investments of the City as of September 30, 2013, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	10/23/2013 - 9/16/2014	<u>\$ 399,072</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, 2013, all certificates of deposit are entirely insured or collateralized with securities.

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

NOTE D – RESTRICTED ASSETS

Governmental Activities

Cash, investments and net position have been restricted as follows:

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
GENERAL FUND		
Court bonds	\$ 484	\$ -
Excavation permit bond	3,500	-
Airport fuel deposits	2,720	-
Community center deposits	350	-
Fire department	630	630
Flag reserves	1,273	1,273
	<u>\$ 8,957</u>	<u>\$ 1,903</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Nonspendable/ Restricted Net Position</u>
CEMETERY FUND		
Nonspendable:		
Perpetual care	\$ 29,321	\$ 29,321
Restricted:		
Cemetery tax	-	89,534
Cemetery donations	150	150
	<u>\$ 29,471</u>	<u>\$ 119,005</u>
PARK FUND		
Park sales tax	<u>\$ -</u>	<u>\$ 251,507</u>
LIBRARY FUND		
Library tax	<u>\$ -</u>	<u>\$ 60,012</u>

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 position. Restricted cash and investments also include cash restricted for customer deposits. These restrictions are as follows:

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE D – RESTRICTED ASSETS (continued)

	Restricted Cash and Investments	Restricted Net Position
WATER FUND		
2003C Revenue Bonds		
Principal and interest	\$ 67,284	\$ 67,284
Depreciation and replacement	57,550	57,550
USDA Revenue Bonds		
Debt service reserve	28,842	28,842
Short lived asset reserve	51,063	51,063
Customer Deposits	69,040	-
	<u>\$ 273,779</u>	<u>\$ 204,739</u>
SEWER FUND		
2003B Revenue Bonds		
Principal and interest	\$ 82,008	\$ 82,008
Depreciation and replacement	57,550	57,550
	<u>\$ 139,558</u>	<u>\$ 139,558</u>

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	\$ 37,385	\$ 6,165	\$ 31,220
Cemetery Fund	5,399	980	4,419
Library Fund	11,640	1,973	9,667
	<u>\$ 54,424</u>	<u>\$ 9,118</u>	<u>\$ 45,306</u>
UTILITIES RECEIVABLE			
Water Fund	\$ 192,631	\$ 1,023	\$ 191,608
Sewer Fund	90,356	671	89,685
	<u>\$ 282,987</u>	<u>\$ 1,694</u>	<u>\$ 281,293</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt of the City of Bowling Green consists of the 2012 Refunding Certificates of Participation, a loan payable, two leases payable, and compensated absences.

Certificates of Participation

On October 3, 2012, the City issued \$1,335,000 in Refunding Certificates of Participation for the purpose of refunding the 2004A Leasehold Revenue Refunding Bonds and 2004B Leasehold Revenue Bonds issued by the Bowling Green Municipal Assistance Corporation. The Certificates of Participation bear interest at various rates ranging from 1.10% to 3.70% with principal payments due on November 1 and interest payments due on May 1 and November 1 of each year.

\$ 1,335,000

The Certificates of Participation outstanding at September 30, 2013, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 175,000	\$ 32,425	\$ 207,425
2015	180,000	30,113	210,113
2016	85,000	28,040	113,040
2017	85,000	26,510	111,510
2018	85,000	24,768	109,768
2019	85,000	22,770	107,770
2020	90,000	20,425	110,425
2021	95,000	17,670	112,670
2022	95,000	14,606	109,606
2023	100,000	11,265	111,265
2024	105,000	7,625	112,625
2025	155,000	2,867	157,867
	<u>\$ 1,335,000</u>	<u>\$ 239,084</u>	<u>\$ 1,574,084</u>

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

Loan Payable

During 2008, the City entered into a Sales Tax Reimbursement Agreement with Bowling Green Town Center, LLC (“Developer”). During the year ended September 30, 2010, 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, 2013, the total outstanding balance on the loan is \$2,814,124.

Capital Lease Obligations

In December 2012, the City entered into a lease obligation to purchase a chipper. The lease requires monthly payments through 2018; with interest at 3.1%.

In February 2013, the City of Bowling Green Municipal Assistance Corporation entered into a lease obligation to purchase a fire truck. The lease requires annual payments through 2023; with interest at 3.125%.

The City’s lease/purchase agreements provide for cancellation of the leases at the City’s option on the renewal dates each year, per State statute, however, the City does not foresee exercising its options to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with FASB Accounting Standards Codification ASC Topic No. 840-30-30, “*Accounting for Capital Leases.*”

CITY OF BOWLING GREEN, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

The following is a schedule of the future minimum lease payments under the lease agreements (assuming noncancellation):

Year Ended September 30,	Chipper Lease	Fire Truck Lease	Total
2014	\$ 8,491	\$ 7,669	\$ 16,160
2015	8,491	7,669	16,160
2016	8,491	7,669	16,160
2017	8,491	7,669	16,160
2018	2,122	7,669	9,791
2019	-	7,669	7,669
2020	-	7,669	7,669
2021	-	7,669	7,669
2022	-	7,669	7,669
2023	-	7,433	7,433
TOTAL MINIMUM LEASE PAYMENTS	36,086	76,454	112,540
LESS AMOUNT REPRESENTING INTEREST	(2,317)	(11,454)	(13,771)
PRINCIPAL BALANCE, SEPTEMBER 30, 2013	<u>\$ 33,769</u>	<u>\$ 65,000</u>	<u>\$ 98,769</u>

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

	Balance September 30, 2012	New Obligations	Retired	Balance September 30, 2013	Amounts Due Within One Year
Leasehold Revenue Bonds	\$ 1,425,000	\$ -	\$1,425,000	\$ -	\$ -
Certificates of Participation	-	1,335,000	-	1,335,000	175,000
Loan Payable	3,079,063	-	264,939	2,814,124	-
Leases Payable	-	103,674	4,905	98,769	13,189
Compensated Absences	22,297	1,826	-	24,123	-
	<u>\$ 4,526,360</u>	<u>\$ 1,440,500</u>	<u>\$1,694,844</u>	<u>\$ 4,272,016</u>	<u>\$ 188,189</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE G – 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.

The annual debt service requirements to amortize the principal on the 2003B revenue bonds outstanding at September 30, 2013, are listed in the following table:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
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>\$ 3,565,000</u>	<u>\$ 1,168,810</u>	<u>\$ 172,896</u>	<u>\$ 4,906,706</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

2003C Combined Waterworks and Sewerage System Refunding Revenue Bonds

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

The annual debt service requirements to amortize the principal on the 2003C revenue bonds outstanding at September 30, 2013, are listed in the following table:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
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>\$ 1,015,000</u>	<u>\$ 117,910</u>	<u>\$ 25,700</u>	<u>\$ 1,158,610</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, 2013, are listed in the following tables:

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Series 2012A

Year Ended September 30,	Principal	Interest	Total
2014	\$ 31,728	\$ 79,548	\$ 111,276
2015	33,011	78,265	111,276
2016	34,356	76,920	111,276
2017	35,755	75,521	111,276
2018	37,212	74,064	111,276
2019	38,728	72,548	111,276
2020	40,306	70,970	111,276
2021	41,948	69,328	111,276
2022	43,657	67,619	111,276
2023	45,436	65,840	111,276
2024	47,287	63,989	111,276
2025	49,214	62,062	111,276
2026	51,219	60,057	111,276
2027	53,305	57,971	111,276
2028	55,477	55,799	111,276
2029	57,737	53,539	111,276
2030	60,090	51,186	111,276
2031	62,538	48,738	111,276
2032	65,086	46,190	111,276
2033	67,737	43,539	111,276
2034	70,497	40,779	111,276
2035	73,369	37,907	111,276
2036	76,358	34,918	111,276
2037	79,469	31,807	111,276
2038	82,707	28,569	111,276
2039	86,077	25,199	111,276
2040	89,584	21,692	111,276
2041	93,233	18,043	111,276
2042	97,032	14,244	111,276
2043	100,985	10,291	111,276
2044	105,099	6,177	111,276
2045	97,142	1,918	99,060
	<u>\$ 2,003,379</u>	<u>\$ 1,545,237</u>	<u>\$ 3,548,616</u>

CITY OF BOWLING GREEN, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

Series 2012B

Year Ended September 30,	Principal	Interest	Total
2014	\$ 7,865	\$ 19,699	\$ 27,564
2015	8,183	19,381	27,564
2016	8,516	19,048	27,564
2017	8,863	18,701	27,564
2018	9,224	18,340	27,564
2019	9,600	17,964	27,564
2020	9,991	17,573	27,564
2021	10,398	17,166	27,564
2022	10,822	16,742	27,564
2023	11,262	16,302	27,564
2024	11,721	15,843	27,564
2025	12,199	15,365	27,564
2026	12,696	14,868	27,564
2027	13,213	14,351	27,564
2028	13,751	13,813	27,564
2029	14,312	13,252	27,564
2030	14,895	12,669	27,564
2031	15,502	12,062	27,564
2032	16,133	11,431	27,564
2033	16,790	10,774	27,564
2034	17,474	10,090	27,564
2035	18,186	9,378	27,564
2036	18,927	8,637	27,564
2037	19,698	7,866	27,564
2038	20,501	7,063	27,564
2039	21,336	6,228	27,564
2040	22,206	5,358	27,564
2041	23,110	4,454	27,564
2042	24,052	3,512	27,564
2043	25,032	2,532	27,564
2044	26,052	1,512	27,564
2045	23,613	460	24,073
	<u>\$ 496,123</u>	<u>\$ 382,434</u>	<u>\$ 878,557</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Series 2012C

Year Ended September 30,	Principal	Interest	Total
2014	\$ 20,352	\$ 22,788	\$ 43,140
2015	20,837	22,303	43,140
2016	21,337	21,803	43,140
2017	21,850	21,290	43,140
2018	22,374	20,766	43,140
2019	22,911	20,229	43,140
2020	23,462	19,678	43,140
2021	24,025	19,115	43,140
2022	24,602	18,538	43,140
2023	25,192	17,948	43,140
2024	25,797	17,343	43,140
2025	26,417	16,723	43,140
2026	27,051	16,089	43,140
2027	27,700	15,440	43,140
2028	28,365	14,775	43,140
2029	29,047	14,093	43,140
2030	29,744	13,396	43,140
2031	30,458	12,682	43,140
2032	31,189	11,951	43,140
2033	31,938	11,202	43,140
2034	32,705	10,435	43,140
2035	33,490	9,650	43,140
2036	34,295	8,845	43,140
2037	35,118	8,022	43,140
2038	35,961	7,179	43,140
2039	36,825	6,315	43,140
2040	37,709	5,431	43,140
2041	38,614	4,526	43,140
2042	39,541	3,599	43,140
2043	40,491	2,649	43,140
2044	41,463	1,677	43,140
2045	42,458	682	43,140
2046	5,619	18	5,637
	<u>\$ 968,937</u>	<u>\$ 417,180</u>	<u>\$ 1,386,117</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE G – 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
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>\$ 68,790</u>	<u>\$ 9,631</u>	<u>\$ 78,421</u>

The following table is a summary of the changes in the business-type activities long-term debt for the year ended September 30, 2013:

	Balance September 30, 2012	New Obligations	Retirements	Balance September 30, 2013	Amounts Due Within One Year
WATER FUND					
Revenue Bonds Payable	\$ 4,747,177	\$ -	\$ 263,738	\$ 4,483,439	\$ 304,945
Less: Deferred loss on bond refunding	(31,450)	-	(6,291)	(25,159)	-
	<u>4,715,727</u>	<u>-</u>	<u>257,447</u>	<u>4,458,280</u>	<u>304,945</u>
SEWER FUND					
Revenue Bonds Payable	3,820,000	-	255,000	3,565,000	260,000
Loan Payable	80,255	-	11,465	68,790	11,465
	<u>3,900,255</u>	<u>-</u>	<u>266,465</u>	<u>3,633,790</u>	<u>271,465</u>
	<u>\$ 8,615,982</u>	<u>\$ -</u>	<u>\$ 523,912</u>	<u>\$ 8,092,070</u>	<u>\$ 576,410</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 1,103,673	\$ -	\$ -	\$ 1,103,673
Depreciable capital assets				
Building and improvements	2,371,978	\$ 11,652	\$ -	2,383,630
Machinery and equipment	1,045,278	197,943	20,000	1,223,221
Infrastructure	8,104,283	77,268	-	8,181,551
Total Depreciable Capital Assets	11,521,539	\$ 286,863	\$ 20,000	11,788,402
Less Accumulated Depreciation				
Buildings and improvements	410,716	\$ 50,559	\$ -	461,275
Machinery and equipment	750,456	67,068	20,000	797,524
Infrastructure	1,463,190	162,658	-	1,625,848
Total Accumulated Depreciation	2,624,362	\$ 280,285	\$ 20,000	2,884,647
Total Depreciable Capital Assets, net	8,897,177			8,903,755
Total Governmental Activities Capital Assets, net	\$ 10,000,850			\$ 10,007,428

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

Administration	\$ 11,524
Community center	2,457
Library	1,731
Public safety	15,504
Fire	5,137
Park	26,840
Airport	24,346
Street	192,622
Cemetery	124
	<u>\$ 280,285</u>

CITY OF BOWLING GREEN, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
BUSINESS-TYPE ACTIVITIES				
Water Fund				
Non-Depreciable Capital Assets				
Land	\$ 57,354	\$ -	\$ -	\$ 57,354
Depreciable Capital Assets				
Water system	9,595,256	\$ 22,105	\$ -	9,617,361
Pumping and purification	1,805,826	-	-	1,805,826
Lake	1,390,711	5,050	-	1,395,761
Total Depreciable Capital Assets	12,791,793	\$ 27,155	\$ -	12,818,948
Less Accumulated Depreciation	4,921,235	\$ 291,561	\$ -	5,212,796
Depreciable Capital Assets, net	7,870,558			7,606,152
Sewer Fund				
Non-Depreciable Capital Assets				
Land	146,276	\$ -	\$ -	146,276
Depreciable Capital Assets				
Sewer system	13,317,072	\$ 48,004	\$ -	13,365,076
Less Accumulated Depreciation	3,575,890	\$ 260,500	\$ -	3,836,390
Depreciable Capital Assets, net	9,741,182			9,528,686
Total Capital Assets				
Business-Type Activities, net	\$ 17,815,370			\$ 17,338,468

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE I – 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 3.4% (General) and 3.4% (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	\$ 20,524
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>20,524</u>
Actual contributions	<u>20,524</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, 2013

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2010, and February 28, 2011, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, 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, 2010, was 6 years for the General division and 8 years for the Police division. The amortization period as of February 28, 2011, was 4 years for the General division and 3 years for the Police division.

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 7,998	100%	\$ -
2012	14,896	100%	-
2013	20,524	100%	-

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/2013	\$ 1,104,916	\$ 897,373	\$ (207,543)	123%	\$ 647,137	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, 2013

NOTE J – 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>2012</u>
Assessed Valuation	
Real estate	\$ 31,642,108
Personal property	<u>7,879,119</u>
TOTAL	<u>\$ 39,521,227</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$.6018
Cemetery Fund	.0928
Library Fund	<u>.1856</u>
TOTAL	<u>\$.8802</u>

The legal debt margin at September 30, 2013, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 3,952,123	\$ 3,952,123	\$ 7,904,246
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 3,952,123</u>	<u>\$ 3,952,123</u>	<u>\$ 7,904,246</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, 2013

NOTE K – DEFERRED COURT FINES

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 court fines are to be collected over several years. All of the deferred court fines at September 30, 2013, are accounted for as follows:

General Fund	
Deferred court fines	<u>\$ 65,718</u>

NOTE L – 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 M – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2013, consisted of the following:

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
General Fund	\$ -	\$ 1,104,089
Park Fund	-	155,746
Library Fund	-	40,216
Debt Service Fund	1,300,051	-
	<u>\$ 1,300,051</u>	<u>\$ 1,300,051</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, 2013

NOTE N – INTERNAL BALANCES

Internal balances as of September 30, 2013, consisted of the following:

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

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, 2013, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE O – 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, 2013, 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 P – 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, 2013, \$922,000 of the 2007 bond ordinances had not been issued.

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE Q – COMMITMENT

At September 30, 2013, the City had the following commitment:

- Alliance Water Resource, Inc. in the amount of \$1,113,109 for professional services which include providing management, operation, and maintenance of the water and sewer system during fiscal year 2014.

NOTE R – 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 \$11,680,010. Principal and interest paid for the current year and total customer net revenues were \$878,250 and \$768,871, respectively. In addition, interest subsidies paid \$136,973 of the total interest expense.

NOTE S – RESTATEMENT

During the year ended September 30, 2013, the City adopted the provisions of GASB Statement Number 65 – *Items Previously Reported as Assets and Liabilities*. Net position has been restated as follows:

Water Fund

Net Position, as previously stated, September 30, 2012	\$ 3,728,609
Bond issue costs	(23,623)
Net Position, as restated, October 1, 2012	<u>\$ 3,704,986</u>

Sewer Fund

Net Position, as previously stated, September 30, 2012	\$ 6,416,434
Bond issue costs	(38,317)
Net Position, as restated, October 1, 2012	<u>\$ 6,378,117</u>

CITY OF BOWLING GREEN, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE S – RESTATEMENT (continued)

Business-Type Activities

Net Position, as previously stated, September 30, 2012	\$ 10,145,043
Bond issue costs	(61,940)
Net Position, as restated, October 1, 2012	<u>\$ 10,083,103</u>

Governmental Activities

Net Position, as previously stated, September 30, 2012	\$ 6,633,163
Bond issue costs	(32,420)
Net Position, as restated, October 1, 2012	<u>\$ 6,600,743</u>

NOTE T – BOND REFUNDING

On October 3, 2012, the City issued \$1,335,000 in Series 2012 Refunding Certificates of Participation with interest rates from 1.10% to 3.70%. The City issued and used the net proceeds to pay off on November 1, 2012, \$1,458,914 of outstanding principal and interest on the Series 2004A and 2004B Leasehold Revenue Bonds issued by the Bowling Green Municipal Assistance Corporation, with interest rates from 2.00% to 5.20%.

As a result of the refunding, the City reduced its debt service requirements by \$185,562, which resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of \$72,485.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOWLING GREEN, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2013

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
02/28/2011	\$ 995,191	\$ 833,919	\$ (161,272)	119%	\$ 695,433	0%
02/29/2012	1,008,281	845,377	(162,904)	119%	666,116	0%
02/28/2013	1,104,916	897,373	(207,543)	123%	647,137	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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 241,900	\$ 241,900	\$ 212,566	\$ (29,334)
City sales tax	760,000	760,000	785,720	25,720
Transportation sales tax	360,000	360,000	374,406	14,406
Financial institution tax	2,500	2,500	2,869	369
Railroad and utility tax	26,000	26,000	32,273	6,273
Surtax	4,400	4,400	4,671	271
Utility franchise tax	307,000	307,000	324,546	17,546
Motor vehicle tax	163,000	163,000	191,851	28,851
Payment in lieu of taxes	200,000	200,000	200,000	-
Lodging tax	45,000	45,000	46,637	1,637
Cigarette tax	22,000	22,000	21,797	(203)
	<u>2,131,800</u>	<u>2,131,800</u>	<u>2,197,336</u>	<u>65,536</u>
Licenses and Permits				
Occupational licenses	10,500	10,500	11,660	1,160
Building permits	10,500	10,500	6,180	(4,320)
Animal license and fees	2,000	2,000	890	(1,110)
	<u>23,000</u>	<u>23,000</u>	<u>18,730</u>	<u>(4,270)</u>
Intergovernmental Revenues				
Street grant	-	-	15	15
Police grant	2,000	2,000	10,916	8,916
	<u>2,000</u>	<u>2,000</u>	<u>10,931</u>	<u>8,931</u>
Charges for Services				
Printing	-	-	342	342
Airport fuel	65,000	65,000	64,978	(22)
Trash billing	140,000	140,000	3,601	(136,399)
	<u>205,000</u>	<u>205,000</u>	<u>68,921</u>	<u>(136,079)</u>
Fines and Forfeitures				
City court fines	44,000	44,000	60,885	16,885
Miscellaneous				
Rents and royalties	25,900	25,900	23,304	(2,596)
Interest	5,000	5,000	1,477	(3,523)
Donations	-	-	14	14
Other	257,900	257,900	228,907	(28,993)
	<u>288,800</u>	<u>288,800</u>	<u>253,702</u>	<u>(35,098)</u>
TOTAL REVENUES	2,694,600	2,694,600	2,610,505	(84,095)

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	537,600	537,600	343,709	193,891
Public safety	939,485	939,485	912,629	26,856
Fire	39,360	39,360	36,287	3,073
Community center	17,718	17,718	17,013	705
Airport	78,549	78,549	72,471	6,078
Street	436,873	436,873	485,084	(48,211)
Municipal court	8,651	8,651	8,794	(143)
Planning and zoning	70,176	70,176	69,192	984
Other	89,528	89,528	3,655	85,873
Debt Service				
Principal, interest and fees	384,160	441,671	463,705	(22,034)
TOTAL EXPENDITURES	2,602,100	2,659,611	2,412,539	247,072
EXCESS OF REVENUES OVER EXPENDITURES				
	92,500	34,989	197,966	162,977
OTHER FINANCING SOURCES (USES)				
Certificate of Participation proceeds	-	1,133,148	1,133,148	-
Lease proceeds	-	-	38,674	38,674
Operating transfers (out)				
Debt Service Fund	(92,500)	(1,168,137)	(1,104,089)	64,048
TOTAL OTHER FINANCING SOURCES (USES)	(92,500)	(34,989)	67,733	102,722
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	-	-	265,699	265,699
FUND BALANCE, October 1	352,995	352,995	352,995	-
FUND BALANCE, September 30	<u>\$ 352,995</u>	<u>\$ 352,995</u>	<u>\$ 618,694</u>	<u>\$ 265,699</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes and penalties	\$ 37,176	\$ 37,176	\$ 32,529	\$ (4,647)
Financial institution tax	400	400	464	64
Railroad and utility tax	3,200	3,200	5,221	2,021
Surtax	700	700	755	55
	<u>41,476</u>	<u>41,476</u>	<u>38,969</u>	<u>(2,507)</u>
Charges for services				
Sale of lots	4,000	4,000	5,310	1,310
Miscellaneous				
Interest	400	400	460	60
TOTAL REVENUES	<u>45,876</u>	<u>45,876</u>	<u>44,739</u>	<u>(1,137)</u>
EXPENDITURES				
Cemetery	<u>45,876</u>	<u>45,876</u>	<u>46,931</u>	<u>(1,055)</u>
TOTAL EXPENDITURES	<u>45,876</u>	<u>45,876</u>	<u>46,931</u>	<u>(1,055)</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	-	-	(2,192)	(2,192)
FUND BALANCE, October 1	<u>121,873</u>	<u>121,873</u>	<u>121,873</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 121,873</u>	<u>\$ 121,873</u>	<u>\$ 119,681</u>	<u>\$ (2,192)</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 179,000	\$ 179,000	\$ 187,203	\$ 8,203
Charges for Services				
Park rental	900	900	625	(275)
Miscellaneous				
Interest	750	750	1,047	297
Other	158,000	158,000	1,108	(156,892)
	<u>158,750</u>	<u>158,750</u>	<u>2,155</u>	<u>(156,595)</u>
TOTAL REVENUES	338,650	338,650	189,983	(148,667)
EXPENDITURES				
Current				
Park	279,700	279,700	305,370	(25,670)
Pool	29,000	29,000	14,532	14,468
Debt Service				
Principal, interest and fees	3,000	21,864	10,175	11,689
TOTAL EXPENDITURES	<u>311,700</u>	<u>330,564</u>	<u>330,077</u>	<u>487</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	26,950	8,086	(140,094)	(148,180)
OTHER FINANCING SOURCES (USES)				
Certificate of Participation proceeds	-	159,933	159,933	-
Operating transfers (out)				
Debt Service Fund	(26,950)	(168,019)	(155,746)	12,273
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,950)</u>	<u>(8,086)</u>	<u>4,187</u>	<u>12,273</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	-	(135,907)	(135,907)
FUND BALANCE, October 1	<u>388,932</u>	<u>388,932</u>	<u>388,932</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 388,932</u>	<u>\$ 388,932</u>	<u>\$ 253,025</u>	<u>\$ (135,907)</u>

CITY OF BOWLING GREEN, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes and penalties	\$ 66,400	\$ 66,400	\$ 65,533	\$ (867)
Financial institution tax	750	750	886	136
Railroad and utility tax	8,000	8,000	9,967	1,967
Surtax	1,200	1,200	1,442	242
	<u>76,350</u>	<u>76,350</u>	<u>77,828</u>	<u>1,478</u>
Intergovernmental Revenues				
State grants	2,666	2,666	3,174	508
Charges for Services				
Fines, fees and memberships	4,050	4,050	4,268	218
Miscellaneous				
Donations	8,500	8,500	2,113	(6,387)
Interest	250	250	407	157
Other	250	250	441	191
	<u>9,000</u>	<u>9,000</u>	<u>2,961</u>	<u>(6,039)</u>
TOTAL REVENUES	<u>92,066</u>	<u>92,066</u>	<u>88,231</u>	<u>(3,835)</u>
EXPENDITURES				
Current				
Library	87,841	87,841	87,881	(40)
Debt Service				
Principal, interest and fees	700	3,367	3,273	94
TOTAL EXPENDITURES	<u>88,541</u>	<u>91,208</u>	<u>91,154</u>	<u>54</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	3,525	858	(2,923)	(3,781)
OTHER FINANCING SOURCES (USES)				
Certificate of Participation proceeds	-	41,919	41,919	-
Operating transfers (out)				
Debt Service Fund	(3,525)	(42,777)	(40,216)	2,561
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,525)</u>	<u>(858)</u>	<u>1,703</u>	<u>2,561</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	-	-	(1,220)	(1,220)
FUND BALANCE, October 1	62,110	62,110	62,110	-
FUND BALANCE, September 30	<u>\$ 62,110</u>	<u>\$ 62,110</u>	<u>\$ 60,890</u>	<u>\$ (1,220)</u>

CITY OF BOWLING GREEN, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2013

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



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**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, 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Bowling Green, Missouri's basic financial statements, and have issued our report thereon, dated January 21, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bowling Green, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. The deficiency is identified as item 13-1.

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*.

City of Bowling Green, Missouri's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters that we have reported to management of the City in a separate letter dated January 21, 2014.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bowling Green, Missouri's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bowling Green, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
January 21, 2014

CITY OF BOWLING GREEN, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2013

13-1 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.

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.