



City of Bowling Green, Kentucky

POPULAR ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2017



Photo courtesy of: Keith Bridgman

CONTENTS

Introduction	2	<i>Finances, continued</i>	
About this Report	3	Net Position	6
About the City	4	General Fund	7
Finances:		Capital Assets & Debt.....	8
Sources and Uses	5	Benchmarking	9
		Outcomes: Past and Future	10

A MESSAGE FROM THE CITY MANAGER

November 13, 2017

Dear City Residents,

We are pleased to present the City of Bowling Green’s seventh Popular Annual Financial Report (PAFR) for the 2017 Fiscal Year.

This report is intended to present a condensed overview of the City’s financial position, financial practices and details outlining how City revenues were generated and spent. Financial information in this report is derived from the independently audited financial statements that are a part of the City of Bowling Green’s Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017.



We are proud to report that the City has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association the past eleven years and the Award for Outstanding Achievement in Popular Annual Financing Reporting for the last six years.

A special thank you goes out to the dedicated men and women of the City’s Finance Department whose hard work and diligence made this possible.

As you review this Popular Annual Financial Report, please feel free to share any questions, concerns or recommendations you may have with us.

Respectfully,

Kevin D. DeFebbo

City Manager

“As a city government, we continue to strive to provide the best possible municipal services at the lowest appropriate cost, to work with others to help the community thrive economically and seek to do what is necessary to invest in a better Bowling Green.”

- Kevin DeFebbo



From bottom left: Commissioner Rick Williams and Mayor Bruce Wilkerson. From top left: Commissioner Joe Denning, Commissioner Sue Parrigin, and Commissioner Brian “Slim” Nash.

BOARD OF COMMISSIONERS

The City operates under the City Manager form of government. The City Manager, who is appointed by the Board of Commissioners (Board), is responsible for enforcing City ordinances and policy, and for carrying out day-to-day operations. The Board consists of a Mayor, who is elected for a term of four years, and four non-partisan Commissioners who are chosen on a plurality-at-large voting basis for two-year terms. The Board is responsible for passing ordinances and taxation, adopting the budget, appointing committees relating to specific aspects of municipal affairs and ratifying personnel appointments/promotions as recommended by the City Manager.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Financial Reporting to the City of Bowling Green for the fiscal year ended June 30, 2016. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing the City's conformance with the highest standards for preparation of state and local government popular reports. This is the sixth consecutive year the City has received the award.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Financial Reporting is only valid for a period of one year.

We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

The City also received the GFOA Certificate of Achievement for Excellence in Financial Reporting Award for the FY2016 CAFR for the eleventh consecutive year, and the Distinguished Budget Presentation Award for the FY2017 budget for the fifth consecutive year.

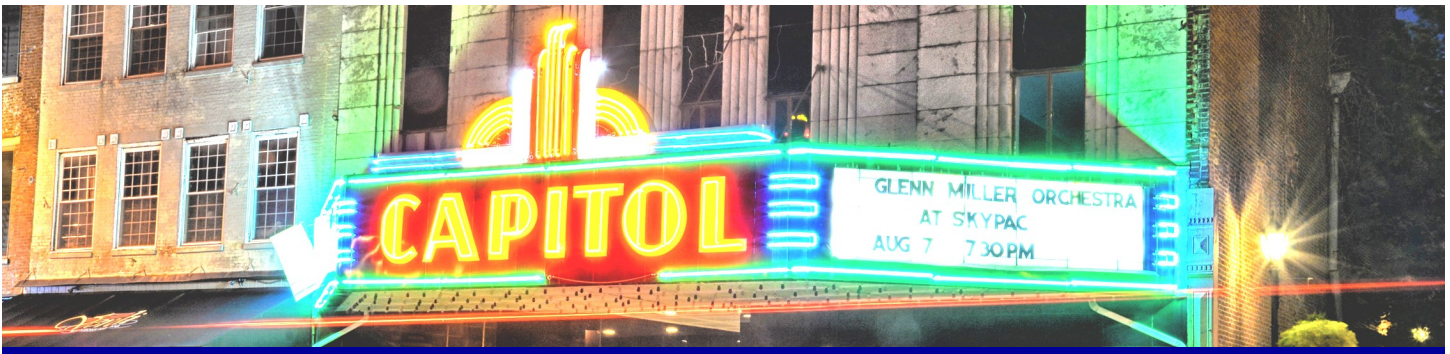
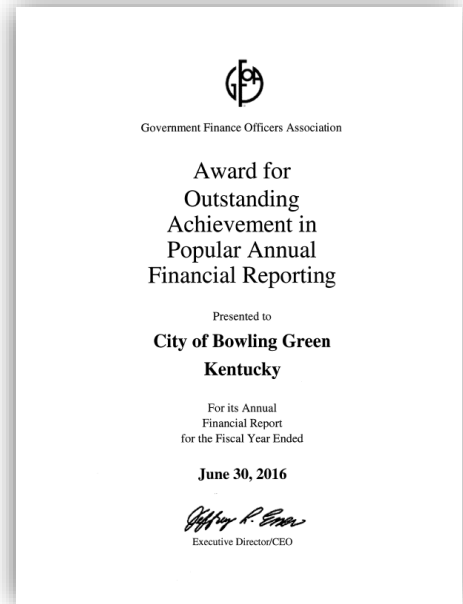


Photo courtesy of: Theresa A. Smith

POPULAR ANNUAL FINANCIAL REPORT

The Popular Annual Financial Report (PAFR) is intended to brief the residents of the City of Bowling Green on the financial standing of the City. The PAFR also highlights FY2018 budgetary initiatives to show the City's planned investments for the upcoming year. The information reflected in this report was drawn from the 2017 Comprehensive Annual Financial Report (CAFR). The CAFR conforms to the generally accepted accounting principles (GAAP) and includes audited financial statements. Component unit information related to Bowling Green Municipal Utilities is not disclosed within this Popular Annual Financial Report. For more detailed information and copies of the CAFR and PAFR, visit the City's website at www.bgky.org.

PROFILE OF BOWLING GREEN

Bowling Green, the “Park City” of Kentucky is located in the south-central part of the state. The City occupies a land area of 39.6 square miles and serves as the retail, educational, medical, commercial, and social hub for south-central Kentucky and northern Tennessee. The labor market area, which measures employable workers that are 18 years and older, is measured at approximately 495,000 for the area encompassing a 60 minute drive from the City.

Bowling Green is home to several significant companies including the General Motors Corvette Assembly Plant, Fruit of the Loom, Houchen’s Industries, Holley Performance Products and Camping World. The state’s third largest public university, Western Kentucky University, is also located in Bowling Green and has approximately 20,000 students in a wide range of academic programs.

The City provides a full range of municipal services, including police and fire protection, engineering and inspection services, construction and maintenance of streets and other infrastructure, recreational activities and cultural events, and general administrative services. The City employs approximately 456 full-time and up to 290 part-time employees.

Bowling Green has been nationally recognized on many occasions. Most recently in April of 2017, the financial news website *24/7 Wall Street* named Bowling Green as Kentucky’s fastest growing city for the five year period between July 2011 and July 2016, and *College Values Online* ranked the City as one of the “50 Best Small College Towns in America” in 2015.

QUICK STATS

🌲 Founded in 1798

🌲 Incorporated in 1812

🌲 Named after Bowling Green Square in New York City

🌲 Population of 65,250

🌲 60 minutes north of Nashville, Tennessee

🌲 3rd largest city in Kentucky

🌲 Full Time City Employees: 446

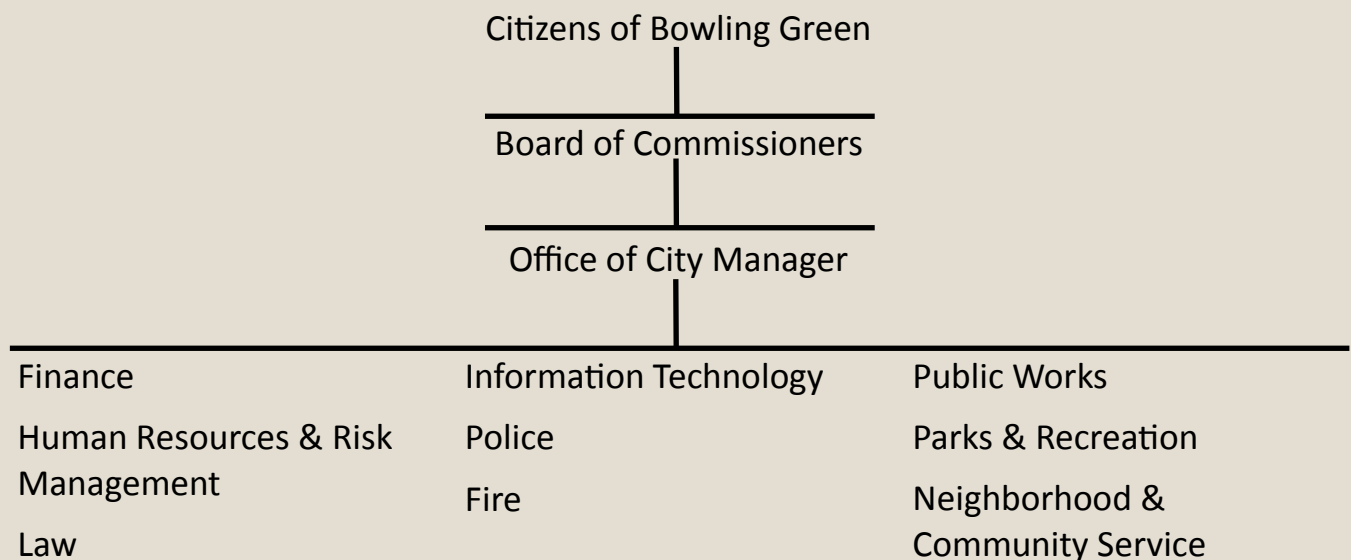
🌲 Per Capita Personal Income: \$35,966

🌲 Median Age: 27

🌲 Percentage of Workforce Unemployed*: 3.9%

*Unemployment rate is based on Preliminary October 2017 value from US Dept. of Labor.

CITY ORGANIZATIONAL STRUCTURE

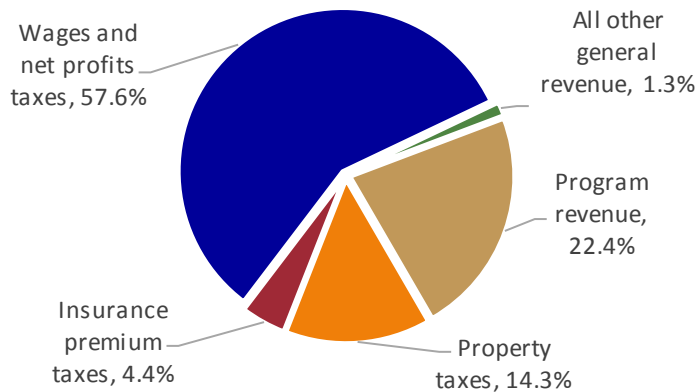


OVERALL FINANCIAL HIGHLIGHTS

The information on the following two pages provides a short-term view of the City's governmental operations, illustrates how services are financed, and how the balances remaining at year end are available for future spending. *Component unit financial information is not disclosed.*

GOVERNMENTAL REVENUES *(Excludes Business-Type)*

FY17 Government-wide Revenues



Revenue (in thousands)	FY2015	FY2016	FY2017
Property taxes	\$12,761	\$12,989	\$13,343
Insurance premium taxes	3,660	3,839	4,097
Wage and net profits taxes	46,774	48,671	53,841
All other general revenue	1,310	2,093	1,232
Program revenue	<u>21,002</u>	<u>17,296</u>	<u>20,979</u>
Total Government-wide revenue	<u>\$85,507</u>	<u>\$84,888</u>	<u>\$93,492</u>

During the past three fiscal years, the City has experienced growth in the following major revenues.

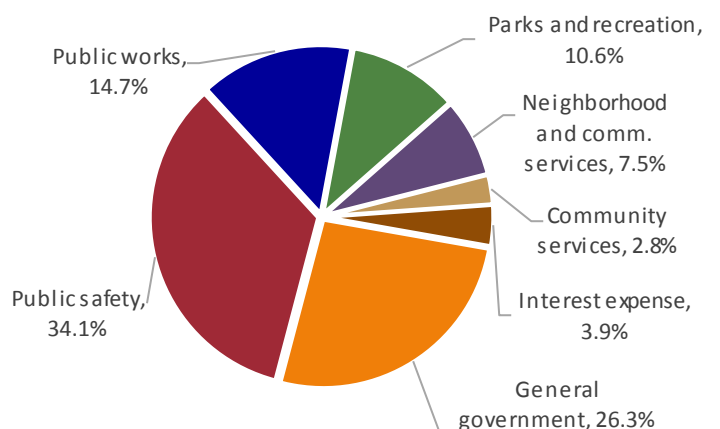
- 🏰 Wages and net profits tax collections have increased by \$7,067,000, or **+15.1%**, due to a **strong labor market**.
- 🏰 Property taxes have increased by over \$580,000, or **+4.6%**, as a result of **rising property assessments**.
- 🏰 Insurance premium taxes have grown by nearly \$437,000, or **+11.9%**, from an increase in **insurance policies written** in the City.

These three revenue sources combined, total **76.2% of the City's primary government revenues** in FY2017. The other general revenue and program revenues vary each year and include investment income, grants, contributions and charges for services.

GOVERNMENTAL EXPENSES *(Excludes Business-Type)*

Expenses (in thousands)	FY2015	FY2016	FY2017
General government	\$16,082	\$19,038	\$18,977
Public safety	25,081	23,723	24,582
Public works	15,513	9,548	10,620
Parks and recreation	7,435	7,751	7,623
Neighborhood & community services	4,309	5,015	5,437
Community services	1,268	1,951	2,029
Interest expense	<u>5,931</u>	<u>3,999</u>	<u>2,829</u>
Total Government-wide expenses	<u>\$75,619</u>	<u>\$71,025</u>	<u>\$72,097</u>

FY17 Government-wide Expenses



Government-wide expenses have varied during the prior three years, highlights of selected expense categories are below.

- 🏰 General government has increased over \$2,895,000, or **+18.0%**, due to increasing **pension** and **liability** expenses.
- 🏰 Public safety has decreased nearly \$500,000, or **-2.0%**, as a result of **overall cost controls** and **attrition savings**.
- 🏰 Public works costs have decreased significantly by \$4,893,000, or **-31.5%**, due to a focus on **infrastructure spending** in FY2015.
- 🏰 Parks and recreation spending has increased slightly by \$188,000, or **+2.5%**, due to **capital spending** on park projects.
- 🏰 Neighborhood and community services (NCS) has increased \$1,128,000, or **+26.2%** due to **increased grant spending**.

OVERALL FINANCIAL HIGHLIGHTS, *Continued*

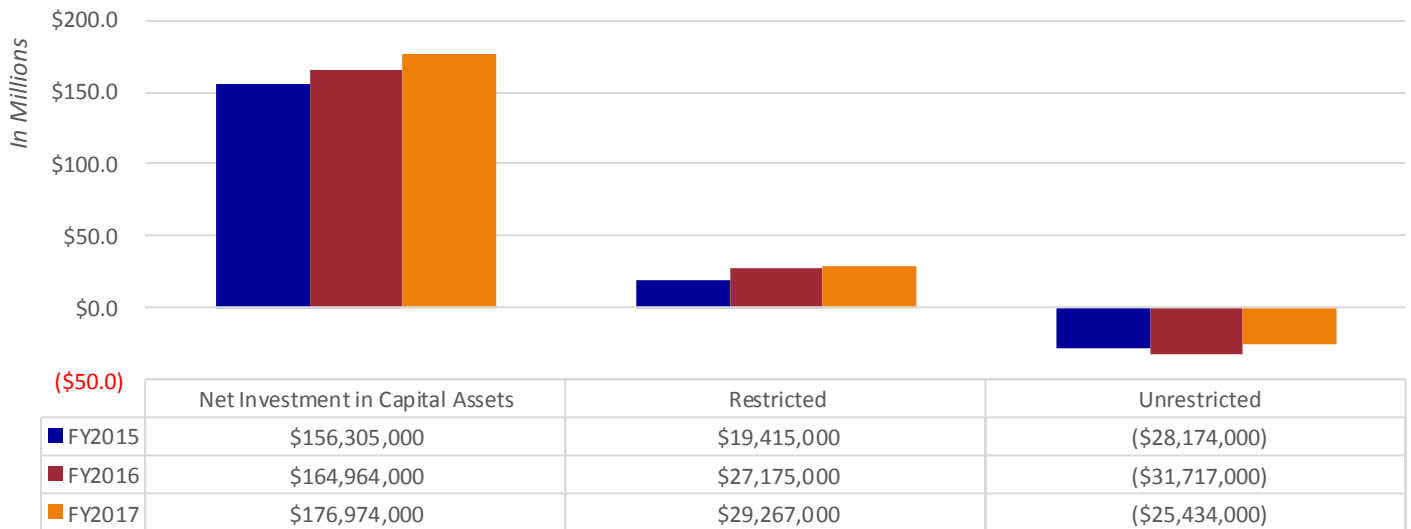
Governmental activities represent activities financed primarily through taxes and intergovernmental revenues. These activities include governmental and internal service funds. The Business-type activities are financed in whole or in-part by fees charged to external parties for goods and services. These activities are reported in the Convention Center Corporation enterprise fund.

Summary Statement of Net Position

<i>Governmental Activities (in thousands)</i>	FY2015	FY2016	FY2017
Assets	\$301,268	\$306,308	\$319,793
Deferred Outflows	7,251	16,609	20,121
Liabilities	156,670	162,388	158,395
Deferred Inflows	<u>4,303</u>	<u>107</u>	<u>712</u>
Total Governmental Net Position	<u>\$147,546</u>	<u>\$160,422</u>	<u>\$180,807</u>
<i>Business-Type Activities (in thousands)</i>	FY2015	FY2016	FY2017
Assets	\$13,717	\$14,569	\$14,806
Deferred Outflows	2	2	1
Liabilities	<u>2,942</u>	<u>2,206</u>	<u>1,500</u>
Total Business-Type Net Position	<u>\$10,777</u>	<u>\$12,365</u>	<u>\$13,307</u>
Total Net Position (Governmental and Business-Type)	<u>\$158,323</u>	<u>\$172,787</u>	<u>\$194,114</u>

The statement of Net Position represents the City’s assets and liabilities, deferred outflows and deferred inflows, and the resulting net position. Net position is the difference between what the City owns and what the City owes. A positive net position balance indicates a measure of financial stability. The City’s net position increased from \$172.8M in FY2016 to \$194.1M in FY2017, an increase of \$21.3M, or 12.3%.

Governmental Activities Net Position History

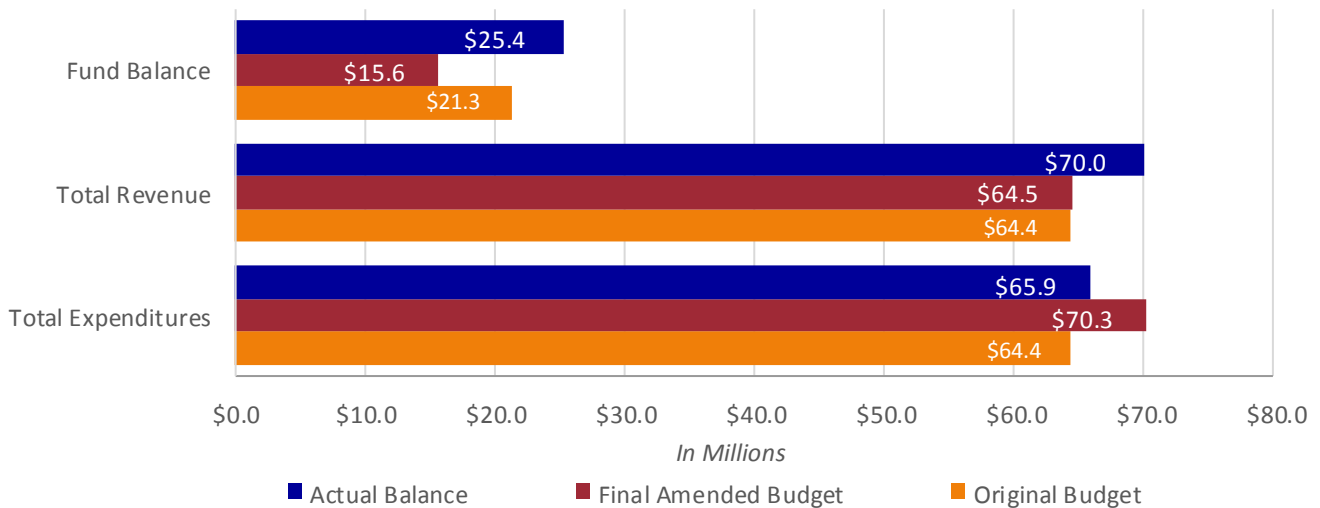


The above chart illustrates the City’s net position in detail for the three prior fiscal years. Since FY2015, **total governmental net position has increased over \$33.3M**, of which \$20.3M was accumulated in the one year period from FY2016 to FY2017. The distribution of net position is also shown above, with the majority classified as net investment in capital assets, which has steadily increased to nearly \$177M in FY2017. **Restricted net position totaled \$29.3M in FY2017** and is allocated for specific purposes, such as debt service, capital projects, and community development. **Unrestricted net position has reported a deficit balance** since FY2015 due to the implementation of GASB 68 Pension Reporting Standards; however, in FY2017 that balance **improved from -\$31.7M to -\$25.4M** in the FY2016 to FY2017 period due to strong revenue collections of withholdings and net profits that resulted from the diverse local economy.

GENERAL FUND FINANCIAL HIGHLIGHTS

The General Fund serves as the chief operating fund of the City. FY2017 revenues totaled \$70M, which outpaced the budget by over \$5M. The increased revenues are a result of stronger than expected collections of wage and net profits taxes. Expenditures totaled \$65.9M, which is \$4.4M less than the final amended budget. The resulting fund balance total for the year was \$25.4M, up from the original budgeted amount of \$21.3M, and the amended budgeted figure of \$15.6M.

FY2017 General Fund Budgetary Comparison



The total General Fund **fund balance at June 30, 2017 was \$25.4M** or 36.2% of revenues. The FY2017 ending total fund balance increased \$4,085,304, or +19.2%, over the FY2016 fund balance of \$21.3M. The increase is a result of strong collections of withholding and net profit taxes, which increased over \$4.9M in FY2017, as mentioned above.

Also, in FY2017 the committed **fund balance was increased to 25% of adopted General Fund revenues** from 20%, which totaled \$16.3M compared to \$12.1M in FY2016. Other fund balance details for the prior three years are presented in the chart below.

* The non-spendable fund balance was \$200,384, \$223,820, and \$217,129, for FY2017, FY2016, and FY2015, respectively. The restricted fund balance was \$0 for FY2017, \$9,838 for FY2016, and \$2,289 for FY2015.

FUND BALANCE DEFINITIONS

The General Fund is the chief operating fund of the City and is comprised of five fund balances:

Non-spendable*— Amounts that are not in a spendable form or are required to be maintained intact.

Restricted*— Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or enabling legislation.

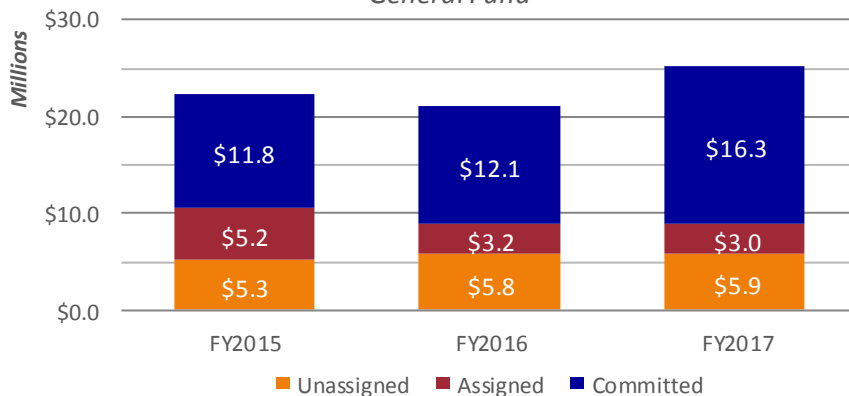
Committed— Amounts constrained to specific purposes by the City itself, this includes the 25% reserve 'rainy day' balance.

Assigned— Amounts the City intends to use for a specific purpose (such as encumbrances).

Unassigned— Amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund Balance History

General Fund







CAPITAL ASSETS AND LONG TERM DEBT

CAPITAL ASSETS

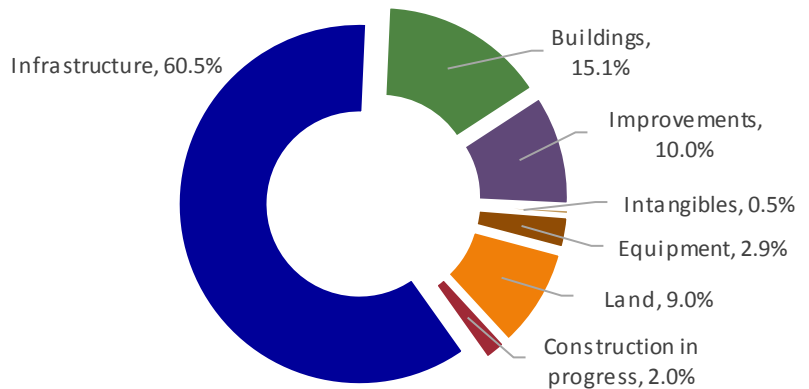
The City's investment in governmental capital assets, net of depreciation, as of June 30, 2017, totaled \$198.8M and includes land, buildings, infrastructure, improvements, vehicles, equipment, and intangible assets. The total increase in capital assets from the end of the prior fiscal year is approximately \$7.9M or 4.1%.

Major capital asset additions during FY2017 included the following:

 Public works vehicle and heavy equipment replacements	\$829,344
 Cemetery maintenance building construction	473,683
 The Loops at Lover's Lane multi-use trail construction	451,185
 Public safety vehicle replacements	436,815

In Millions	FY2017	FY2016
Land	\$17.9	\$17.9
Construction in progress	4.0	3.5
Infrastructure	120.3	116.5
Buildings	30.0	30.1
Improvements	19.8	17.4
Intangibles	1.0	1.1
Equipment	5.7	4.3
Property held under capital lease	0.1	0.1
Total*	\$198.8	\$190.9

Governmental Capital Assets*



*Excludes business-type capital assets.

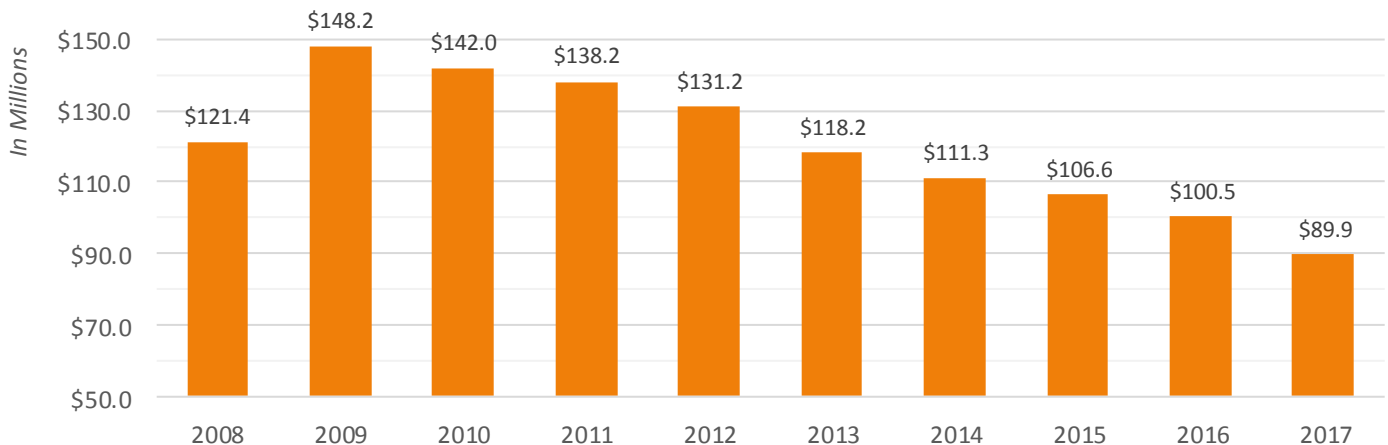
*Property held under capital lease (0.1%) is not reflected above.

LONG TERM DEBT

The total long term debt outstanding at June 30, 2017, was \$89.9M, net of discounts and premiums. The City currently maintains bond ratings of "Aa2" from Moody's and "AA" from Standard & Poor's.

Below is a graphical illustration of the City's long term debt 10 year history. Long term debt has decreased by \$58.3M, or 39.3%, since the high of \$148.2M in 2009. This has been accomplished by avoiding new debt issuances, the early defeasance of callable debt, and fulfillment of the City's commitment to make all scheduled principal and interest payments.

Long Term Debt 10 Year History



HOW WE COMPARE

Below, Bowling Green is compared to Owensboro, Kentucky, and Franklin, Tennessee. Per Capita is defined as the total dollar value divided by the population of each city. For example, Debt per Capita is the total bonded indebtedness divided by the population. This calculation allows the debt of each city to be easily compared based on population.

GENERAL COMPARISONS

	Bowling Green ¹	Owensboro, KY ²	Franklin, TN ³
Population	65,250	59,042	66,370
Total taxable assessed real estate value	\$4,517,212,712	\$2,895,178,798	\$3,361,337,237 ⁴
Real estate tax rate ⁵	\$0.2060	\$0.2593	\$0.4065
Land area (square miles)	39	20	41
Unemployment rate ⁶	3.9%	4.2%	2.3%
General Fund revenues	\$69,996,076	\$44,628,510	\$63,539,872
Total governmental funds—revenue per capita	\$1,365	\$1,082	\$1,665
Total governmental funds—expenditure per capita	\$1,234	\$1,074	\$1,514

DEBT COMPARISONS

	Bowling Green	Owensboro, KY	Franklin, TN
Total outstanding debt—primary government	\$89,867,533	\$159,403,725	\$170,567,996
Debt per capita	\$1,377	\$2,700	\$2,570
Net general obligation debt as a percentage of assessed taxable real estate	1.99%	5.51%	5.07%

BOND RATINGS COMPARISONS

	Bowling Green	Owensboro, KY	Franklin, TN
Standard & Poor's (high to low: AAA, AA+, AA, AA-)	AA	n/a	AAA
Moody's (high to low: Aaa, Aa1, Aa2, Aa3, A1)	Aa2	A2	Aaa

¹ FY2017 CAFR. ² FY2016 CAFR (year ended June 30, 2016). ³ FY2016 CAFR (year ended June 30, 2016). ⁴ Real Property Assessment value obtained from Statistical Table "Revenue Capacity Information—Assessed Value and Estimated Actual Value of Taxable Property". ⁵ Real Estate Tax Rates are per \$100 of assessed value. ⁶ Source: US Dept of Labor, Local Area Unemployment Statistics for Cities and Town Above 25,000 Population (preliminary rates for October 2017).

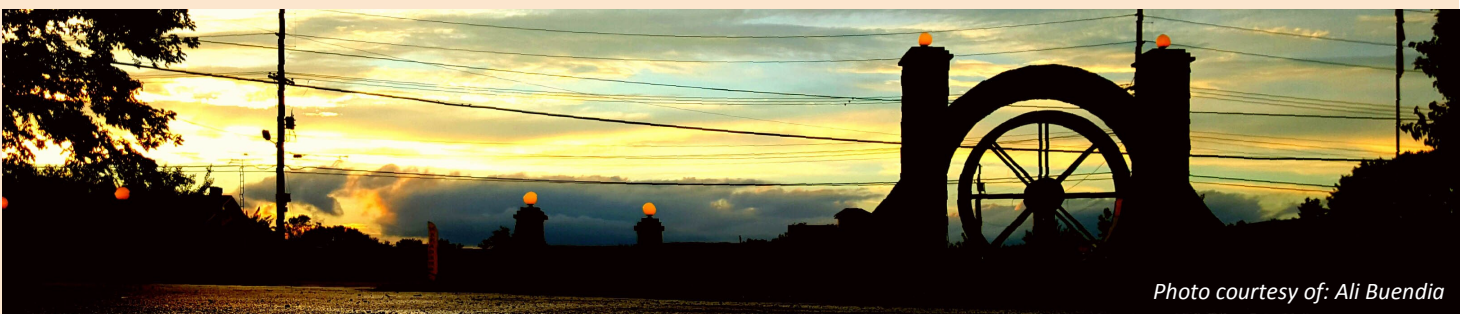


Photo courtesy of: Ali Buendia

2017 FACTS & STATISTICS

65,250
POPULATION

3rd
LARGEST
CITY IN THE STATE

22 PARKS &
7 PARKS FACILITIES

78,052
POLICE 911
SERVICE CALLS

4,490
POLICE TRAFFIC
STOPS

22,356
PROPERTY
TAX BILLS
DISTRIBUTED

262 fires
extinguished &
30 investigated

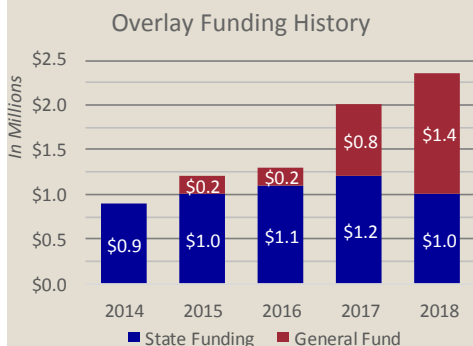
2,296 building
permits issued &
13,236
inspections completed

528 lane miles of
streets maintained &
668 potholes
repaired

FY2018 BUDGETARY HIGHLIGHTS

Sustaining Aggressive Street Overlay Program.....\$2.35M

For the fifth consecutive year, the FY2018 budget increased the annual street overlay program; funding totals \$2.35M from both General Fund and Liquid Fuel Tax monies. This is an increase of \$350,000, or +17.5%, over the FY2017 adopted budget.



Improving Traffic Flow..\$1.25M

Improvements to the Smallhouse Road corridor continue in FY2018 for Phase II of the project. The project total once completed is estimated to top \$6.1M funded by local tax dollars.

Thriving Downtown.....\$1.2M

The revitalization of the centerpiece of downtown Bowling Green, Fountain Square Park, began in FY2017. The FY2018 budget includes funding for the creation of safer pedestrian walkways, improved streets and alleyways, and an inviting connection between Fountain Square and Circus Square parks.

Implementing Parks Development Plan.....\$1.65M

The Parks Development Plan included in the FY2018 budget includes \$250,000 for the construction of the new Shake Rag Park at 3rd Avenue and College Street that will showcase an art wall, green space, walkways, a shelter, benches, and new trees. Other projects slated for the year are \$600,000 to upgrade the Russell Sims Aquatic Center, playground replacement at Covington Woods and Lampkin parks, multi-use court refurbishment at Lampkin Park, a new shelter at Pedigo Park, and additional parking at both Pedigo and Kereiakes parks.