

City of Bowling Green, Kentucky



POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016





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ABOUT BOWLING GREEN

- Founded in 1798
- Incorporated in 1812
- Named after Bowling Green Square in New York City
- Population of 63,600
- 60 minutes north of Nashville, Tennessee
- 3rd largest city in Kentucky
- Full Time City Employees: 456
- Per Capita Personal Income: \$34,354
- Median Age: 28



CITY OF BOWLING GREEN DEPARTMENTS AND LEADERSHIP

Office of the City Manager	Kevin DeFebbo, City Manager Katie Schaller-Ward, Assistant City Manager/City Clerk
Finance	Jeff Meisel, Chief Financial Officer
Fire	Jason Colson, Fire Chief
HR & Risk Management	Michael Grubbs, Director
Information Technology	Lynn Hartley, Chief Information Officer
Law	Gene Harmon, City Attorney
Neighborhood & Community Services	Brent Childers, Director
Parks & Recreation	Brent Belcher, Director
Police	Doug Hawkins, Police Chief
Public Works	Greg Meredith, Director

ABOUT THE 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 FY2017 budgetary initiatives to show the City's planned investments for the upcoming year. The information reflected in this report was drawn from the 2016 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.

A MESSAGE FROM THE CITY MANAGER

November 7, 2016

Dear City Residents,

We are pleased to present the City of Bowling Green's sixth Popular Annual Financial Report (PAFR) for the 2016 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, 2016.

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 ten years and the Award for Outstanding Achievement in Popular Annual Financing Reporting for the last five 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 to seek to do what is necessary to invest in a better Bowling Green."

- Kevin DeFebbo



From bottom left: Commissioner Melinda Hill and Commissioner Sue Parrigin. From top left: Mayor Bruce Wilkerson, Commissioner Joe Denning, and Commissioner Rick Williams.

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 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.

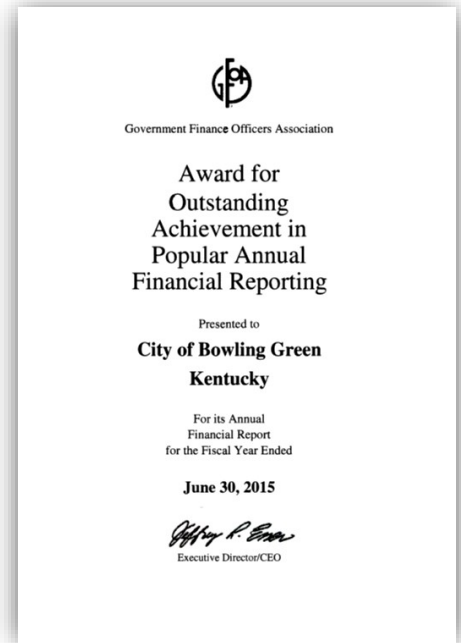
GOVERNMENT FINANCE OFFICERS ASSOCIATION

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, 2015. 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 fifth 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 FY2015 CAFR for the tenth consecutive year, and the Distinguished Budget Presentation Award for the FY2016 budget for the fourth consecutive year.



LISTING OF RECENT AWARDS AND ACCOLADES

Award for Outstanding Achievement in Popular Annual Financial Reporting - 5th Year

Awarded by: Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting - 10th Year

Awarded by: Government Finance Officers Association



Energy Star Award for Neighborhood & Comm. Services Building

Awarded by: U.S. Environmental Protection Agency

Distinguished Budget Presentation Award - 4th Year

Awarded by: Government Finance Officers Association

SEMAP High Performer

Awarded by: Housing and Urban Development (HUD)

Leadership Award for Homeless Preference

Awarded by: Housing and Urban Development (HUD)

City of Ethics Designation

Awarded by: Kentucky League of Cities

Police Department 911 Center Accreditation - 1st Agency in Kentucky to receive

Awarded by: Kentucky Association of Chiefs of Police (KCAP)

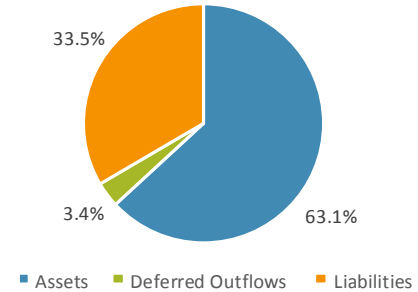
OVERALL FINANCIAL HIGHLIGHTS

The information below provides a short-term view of the City's government 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.*

Summary Statement of Net Position

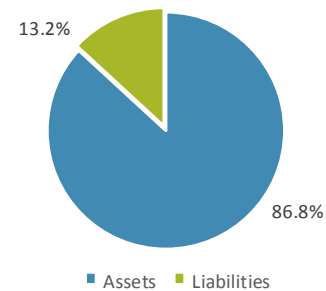
<i>Governmental Activities</i> (in thousands)	2014	2015	2016
Assets	\$ 296,906	\$ 301,268	\$ 306,308
Deferred Outflows	2,728	7,251	16,609
Liabilities	161,026	156,670	162,388
Deferred Inflows	-	4,303	107
Total Net Position	<u>\$ 138,608</u>	<u>\$ 147,546</u>	<u>\$ 160,422</u>

FY16 Governmental Net Position Components

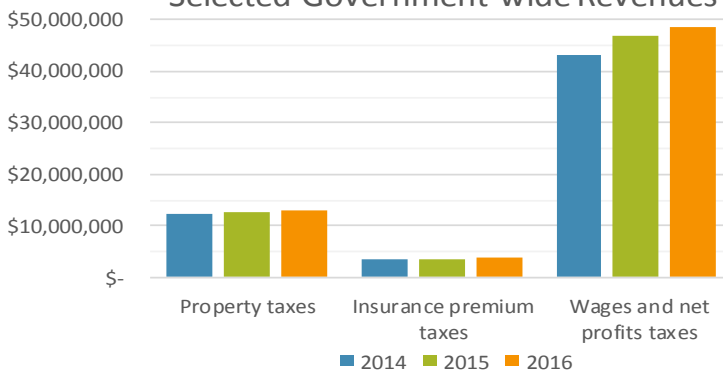


<i>Business-Type Activities</i> (in thousands)	2014	2015	2016
Assets	\$ 16,133	\$ 13,717	\$ 14,569
Deferred Outflows	3	2	2
Liabilities	6,412	2,942	2,206
Total Net Position	<u>\$ 9,724</u>	<u>\$ 10,777</u>	<u>\$ 12,365</u>

FY16 Business-Type Net Position Components



Selected Government-wide Revenues



The City has experienced growth in each of its three major revenues over the past 3 fiscal years:

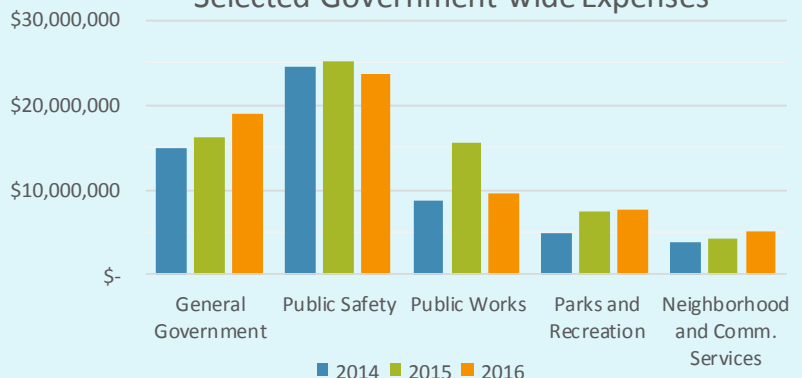
- ✓ Wages and net profits taxes are up **+12.7%** due to a **strong labor market** and a **record year in 2016**,
- ✓ Property taxes have increased by **+6.0%** as a result of **rising property assessments**, and
- ✓ Insurance premium taxes grew **+8.3%** from an increase in **insurance policies written** in the City limits.

These three revenue sources combined total **77.2% of the City's primary government revenues** in FY2016, up from 73.9% in FY2015 and 77.1% in FY2014.

Government-wide expenses have also increased over the prior three years:

- \$** General government is up **+27.4%** due to increasing **pension** and **liability** expenses,
- \$** Public Safety fell **-2.7%** as a result of **overall cost controls** and **attrition savings**,
- \$** Public Works costs rose **+8.7%** due to a focus on **street overlay** and **sidewalk construction** and increased **infrastructure spending** in FY2015,
- \$** Parks and Recreation has experienced a significant increase of **+58.2%** in three years due to a **surge in capital spending** on park projects,
- \$** Neighborhood and Community Services (NCS) are up **+34.3%** due to the **construction of a new NCS building**.

Selected Government-wide Expenses

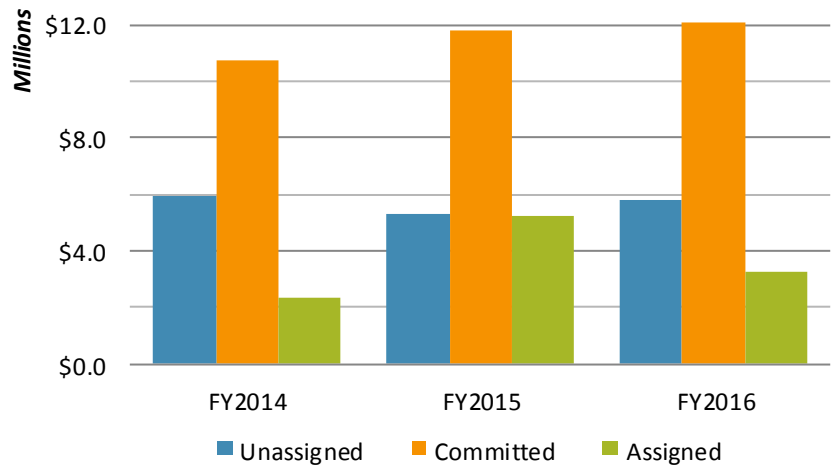


GENERAL FUND FINANCIAL HIGHLIGHTS

The total General Fund **fund balance at June 30, 2016 was \$21.3 million** or 32.7% of revenues. The FY2016 ending total fund balance *decreased \$1,236,480 or -5.5%* from the FY2015 fund balance of \$22.5 million. The decrease is a result of increased cash transfers, which totaled over \$11.1 million in FY2016, to capital project funds to provide funding for upcoming capital projects rather than issuing debt.

** The non-spendable fund balance was \$223,820, \$217,129, and \$190,343, for FY2016, FY2015, and FY2014, respectively. The restricted fund balance was \$9,838 for FY2016 and \$2,289 for FY2015.*

Fund Balance History
General Fund



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 20% reserve 'rainy day' balance.

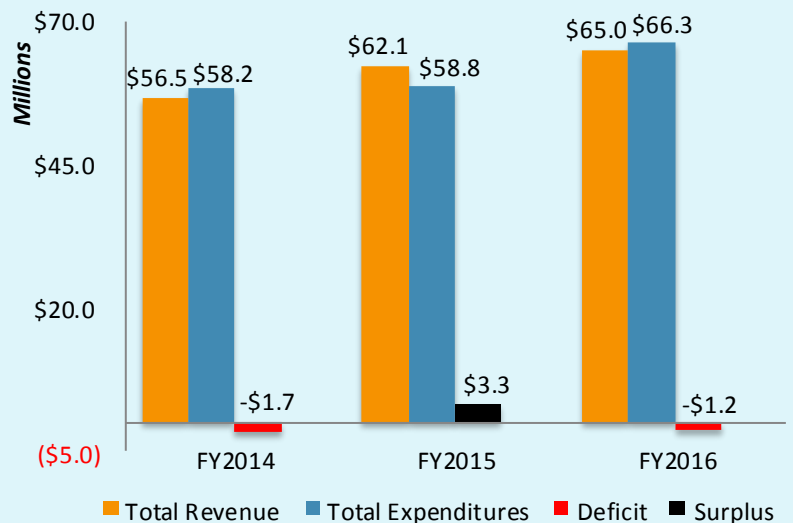
Assigned— Amounts the City intends to use for a specific purpose (such as encumbrances).

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

The General Fund is the chief operating fund of the City. The fund, which is a governmental fund, tracks the general revenues and expenditures of primary governmental activities, including Public Safety (Police and Fire), Public Works (roads and sidewalks), Parks and Recreation, Neighborhood and Community Service and general government. Unlike the government-wide financial statements presented on page 5, the General Fund is presented with a current resources focus, meaning revenues and expenditures are to be collected or paid in the near term.

Fiscal Year 2016 ended with General Fund expenditures exceeding revenues by *approximately \$1.2 million*. This is a decrease of \$4.5 million from

the previous fiscal year where revenues outpaced expenditures by \$3.3 million. As stated above, this decrease is due to **increased cash transfers of over \$11.1 million** from the General Fund to Capital Project Funds during FY2016 to **fund future construction projects** and the **purchase of capital assets** while **avoiding issuance of new debt**.



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	63,600	58,374	66,370
Total taxable assessed real estate value	\$4,517,212,712	\$2,829,192,552	\$3,215,762,783 ⁴
Real estate tax rate ⁵	\$0.2060	\$0.2593	\$0.4065
Land area (square miles)	39	20	41
Unemployment rate ⁶	3.6%	4.3%	3.6%
General Fund revenues	\$65,032,477	\$43,372,560	\$57,489,269
Total governmental funds—revenue per capita	\$1,311	\$1,060	\$1,384
Total governmental funds—expenditure per capita	\$1,160	\$1,122	\$1,442

DEBT COMPARISONS

	Bowling Green	Owensboro, KY	Franklin, TN
Total outstanding debt—primary government	\$100,480,170	\$133,804,586	\$181,825,884
Debt per capita	\$1,580	\$2,292	\$2,739
Net general obligation debt as a percentage of assessed taxable real estate	2.22%	4.72%	5.65%

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	A1	Aaa

¹ FY2016 CAFR. ² FY2015 CAFR (year ended June 30, 2015). ³ FY2015 CAFR (year ended June 30, 2015). 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 September 2016).



2016 FACTS & STATISTICS

63,600
POPULATION

3rd Largest
City in the
State

22 Parks &
7 Parks Facilities

81,072
Police 911
Service Calls

8,594
Police
Traffic stops

524 lane miles
of street maintained
& **575** potholes
repaired

236 fires
extinguished &
36 investigated

2,193 building
permits issued &
13,360
inspections completed

22,352
Property tax
bills distributed

FY2017 INITIATIVES

Developing Records Retention

The FY2017 budget included funding for a new program within the City Manager's Office to implement and operate a records retention facility. *The facility will receive records from all departments to create a central depository that will assemble, index, archive, and dispose of City records.*

over **\$210,000** allocated in FY17

INCREASING SAFETY

Body worn cameras for Police Officers

are funded in the FY17 budget in addition to additional *surveillance cameras at various parks* locations to be added to the City's network of internal cameras. Also, a security study will be conducted, new network backup system installed, and security access upgrades implemented.

\$302,000
available in FY17

IMPLEMENTING PARKS DEVELOPMENT

The Parks and Recreation Department has prioritized 3 major projects:

- 1. Lover's Lane Soccer Complex (LLSC) shelter** expansion,
- 2. Construction of a soccer complex** at Preston Miller Park, and
- 3. Installation of a spray ground** at Lampkin Park.

Other projects also funded in the budget, include: construction of a *walking trail at LLSC*, replacement of *playground equipment*, and replacement of a *Covington Woods park shelter*.

\$5,000,000

Total FY17 budget

Enhancing Services

\$409,000

decision-making simulator to *optimize the training experience through various scenarios promoting situational awareness.*

Funding is provided to *replace the internal alarm system* for the Fire Department to aid in

reduction of response times for emergencies. Also, the Police Department will purchase a firearms *training and*