

City of Bowling Green, Kentucky



POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2014



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About Bowling Green

Bowling Green, the “Park City” of Kentucky, was established in 1798, and is the third largest city in the state with a metropolitan statistical area population of over 163,500. The city limits occupy a land area of 38.7 square miles, has a population estimated at nearly 61,500 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 475,000 for the area encompassing a sixty minute drive from the city with an additional 26,000 workers being of age in the next two years.

Bowling Green is the home to several significant companies including the General Motors Corvette Assembly Plant, Fruit of the Loom/Russell Athletics, Houchens Industries, Holley Performance Products, and Camping World. The state’s third largest public university, Western Kentucky University, is also

“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

situated in Bowling Green and boasts over 20,500 students in a wide range of academic programs. The University’s athletic teams are dubbed the “Hilltoppers”, and the men’s basketball team is the 14th winningest Division I program in the country.

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 their City Government. The information in this report was drawn from the 2014 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.



The 2014 Board of Commissioners



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

About the 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 as well as carrying out day-to-day operations. The Board consists of a Mayor who is elected for a term of four years and four City Commissioners, who serve two years each, that are voted into office in non-partisan elections. The Board is responsible for passing ordinances, adopting the budget, appointing committees and ratifying personnel appointments/promotions as recommended by the City Manager.

A Message from the City Manager

November 20, 2014

Dear City Residents,

We are pleased to present the City of Bowling Green's third *Popular Annual Financial Report (PAFR)* for the 2014 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, 2014.

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 eight years and the Award for Outstanding Achievement in Popular Annual Financing Reporting for the last three 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





Awards

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 Popular Annual Financial Report for the fiscal year ended June 30, 2013. 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 was the third 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 valid for a period of one year only.

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 FY2013 CAFR for the eighth consecutive year, and the Distinguished Budget Presentation Award for the FY2014 budget for the third consecutive year.



OVERALL FINANCIAL HIGHLIGHTS

The information below provides a short-term view of 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

Governmental Activities (in thousands)	2012	2013	2014
Assets	\$ 285,860	\$ 288,333	\$ 291,906
Deferred Outflows	-	-	2,728
Liabilities	127,382	118,195	115,926
Deferred Inflows	-	-	-
Total Net Position	\$ 158,478	\$ 170,138	\$ 178,708
Business-Type Activities (in thousands)			
Assets	\$ 20,527	\$20,801	\$ 21,133
Deferred Outflows	-	-	3
Liabilities	7,974	7,003	6,412
Deferred Inflows	-	-	-
Total Net Position	\$ 12,553	\$13,798	\$ 14,724

Statement of Net Position Financial Indicators

+ Governmental & Business-Type **Assets** have increased each of the three previous years; a total increase of +2.1% for governmental and +3.0% for business-type

+ Governmental & Business-Type **Liabilities** have decreased for the period from 2012-2014; governmental by -9.0% and business-type by -19.6%

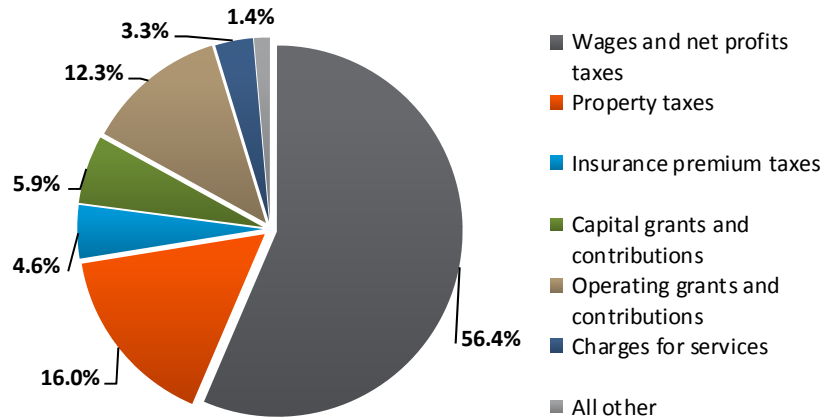
+ **Total Net Position** of both governmental and business-type activities has increased annually since 2014; governmental by +12.8% and business-type by +17.3%

Each of the above indicators demonstrate financial strength and stability

Governmental revenues are comprised of:

Taxes—Wage withholdings and net profit taxes, property taxes and insurance premium taxes
Capital grants and contributions—Grants, public infrastructure acceptances
Operating grants and contributions—Federal, State and Local grants
Charges for services—Fees for public safety, cemeteries, parks, permits and licenses
All other—interest income, donations, judgments and settlements

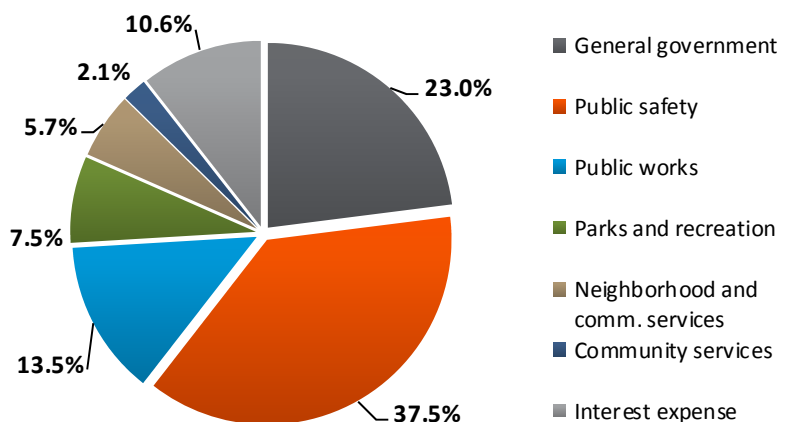
Governmental Revenues



Governmental expenses are comprised of:

General government—Administrative, finance, HR, IT and legal services
Public Safety—Police and Fire services
Public Works—Maintenance of streets and sidewalks, oversee road services
Parks and recreation—Management of all City parks, landscaping, cemeteries
Neighborhood and community services—Section 8 program and other services benefitting the community
Community services—City appropriations for contract agencies
Interest expense—Debt service payments for outstanding obligations

Governmental Expenses



GENERAL FUND FINANCIAL HIGHLIGHTS

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

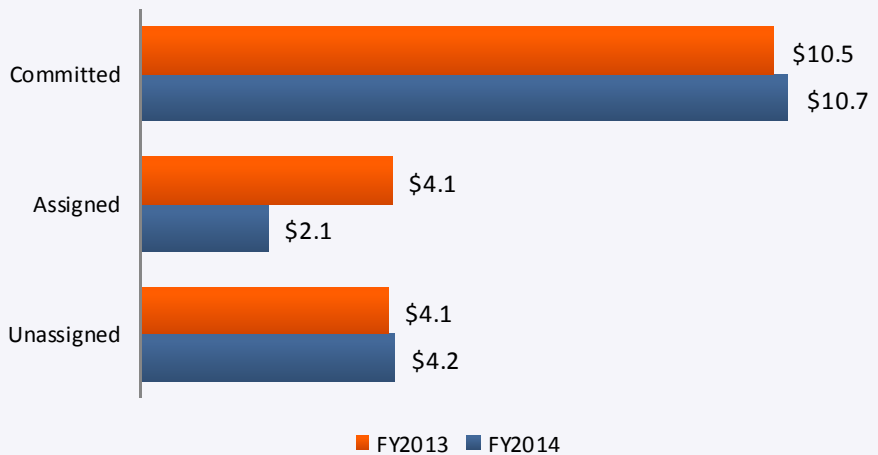
Restricted*— Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or enabling legislation

Committed— Amounts constrained to specific purposes by the City itself

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

General Fund Fund Balances



* The non-spendable fund balance was \$102,022 and \$117,847 for FY2013 and FY2014, respectively. The restricted fund balance was \$0.

The total General Fund **fund balance at June 30, 2014 was \$17.1 million** or a strong 30.3% of revenues. The FY2014 ending total fund balance decreased \$1,679,000 or -8.9% from the FY2013 fund balance of \$18.8 million. This decrease is due to increased capital spending for infrastructure-related projects.

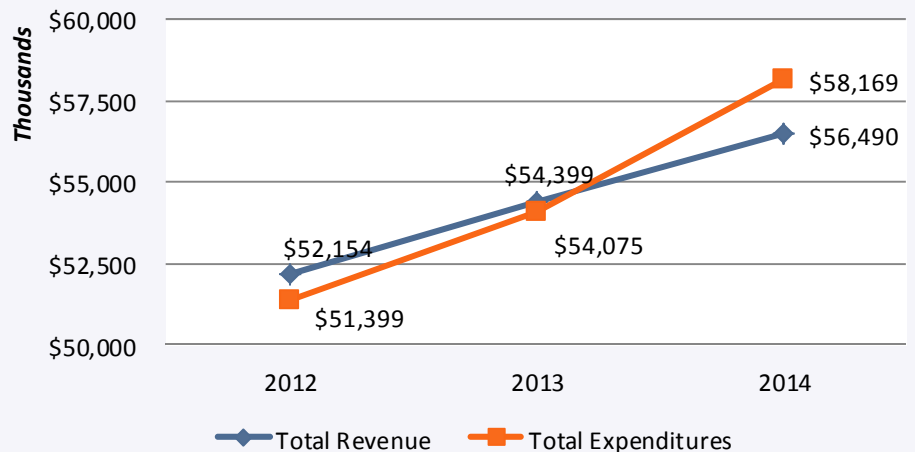
General Fund revenues totaled \$56.5 million, an increase of **\$2.1 million or +3.8%** over the previous fiscal year. Highlights are listed below:

- The City's largest revenue source, wage and net profit taxes, posted an *increase of approximately \$1.7 million, or +4.4%*, over FY2013. This is due to the improved wage withholding tax base that resulted from improvement in the local economy.
- The second largest revenue source, property taxes, totaled \$11.7 million, an increase of approximately \$430,000 or +3.8% over last fiscal year.
- Fiscal Year 2014 General Fund **expenditures exceeded revenue by \$1.7 million**, including accounting for other financing sources and uses.
- The *net change in fund balance decreased by \$1,679,000* as stated in the Fund Balance summary above. This decrease is a result of increased General Fund funding of capital infrastructure projects.

General Fund expenses for fiscal year 2014 totaled \$43.1 million, an increase of about \$270,000 or +0.6% compared to the previous year.

- Public Safety** expenses accounted for \$23.8 million or **55.4% of General Fund expenses**.
- Other major expenditures were posted by Public Works (\$5.6 million), General Government (\$5.3 million), Parks and Recreation (\$5.5 million).
- The increase in General Fund expenditures is primarily due to *rising personnel costs* during the fiscal year.

General Fund Revenue and Expenditures

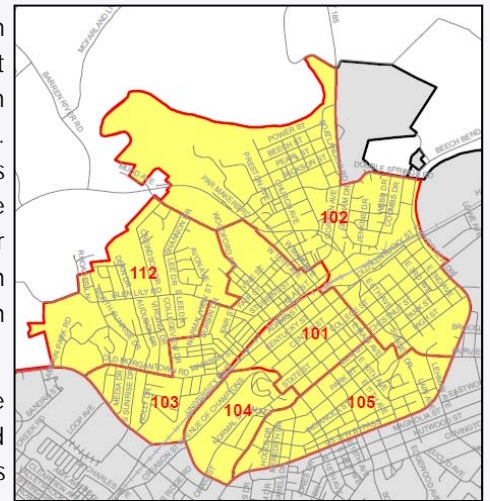


FISCAL YEAR 2015 INITIATIVES

CAPITAL IMPROVEMENT PROGRAM—FY2015 recommended CIP, including all funds and debt, is \$20.2 million, a decrease of -9.0% from the \$22.2 million FY2014 program. The FY2015 Capital Improvement Program has four major goals:

- **IMPROVED TRAFFIC FLOW**: \$2.5 million will be utilized for street resurfacing, completion of Phase 1 of the Smallhouse Road improvement project and improvements to McLellan Road and the South Central Kentucky Industrial Park Road.
- **COMMUNITY LIVABILITY**: \$2.4 million will be available to fund projects in this category such as the Stormwater Mitigation Program, Sidewalk Improvement Plan and improvements to Parks and Recreation facilities and programs. Two significant budget items within this goal are the construction of the new West End Community Soccer Park and implementation of a BG Reinvestment/Local Strategy Area (see below for more information).
- **MUNICIPAL FACILITIES IMPROVEMENTS**: \$1.9 million will be utilized for the replacement of municipal vehicles within various departments, installation of a fire sprinkler system in the City Hall building, replacement of 36 golf carts at the Riverview course, replacement of 19 sets of bleachers in the Parks and Recreation Department, completion of upgrades at the Sloan Convention Center, and installation of a diesel generator at City Hall.
- **TECHNOLOGY IMPROVEMENTS**: \$0.7 million has been dedicated to the replacement of Police Department in-car cameras, purchase of 110 mobile data computers and tasers; purchase of a Mobile Public Education Center for the Fire Department; and replacement of the Finance Department's property tax and occupational license tax software.

BG REINVESTMENT/LOCAL STRATEGY AREA—A budget of \$500,000 has been approved to make neighborhood improvements within the targeted reinvestment area (see map to right). Approximately \$300,000 of the annual CDBG allocation will be devoted to the project, along with \$200,000 in General Fund dollars. Projects will be identified through a collaborative process with staff and neighbors to develop neighborhood improvements that benefit the current and future residents. Once a targeted area is completed, a new area will be selected for investment. The first area selected is the Census Block Group 105.2, which encompasses Chestnut Street to the By-Pass and from Fairview Avenue to 14th Street.



CONVERSION OF PROGRAMS TO THE GENERAL FUND—The most significant change in the FY2015 budget proposal is the discontinuation of the Enterprise Fund accounting system for the Golf Division and the Aquatics Program. Both programs will be incorporated into the General Fund for accounting and budgetary purposes. The Convention Center Corporation (CCC) will be the only remaining Enterprise Fund from this point forward.

CONVENTION CENTER CORPORATION FUNDING OF PARKS CAPITAL PROJECTS—Hartland Tax District occupational fees support both the Convention Center Corporation (CCC) and the Parks Development Special Revenue Fund. By agreement of the CCC and the City, the CCC will begin to advance \$300,000 per year of occupational fees for the next five years to fund future parks capital projects. In exchange, at the end of the 5 year period, the Parks Development fund will pay the Convention Center back evenly over the following 15 years.



BOWLING GREEN FACTS & STATISTICS

2014 STATISTICS

61,488 <i>Population of Bowling Green</i>	Bowling Green is the 3rd <i>Largest City in the State</i>	20 <i>Parks</i>
75,800 <i>Police 911 Service Calls</i>	&	13,189 <i>Police Traffic stops</i>
Public Works maintained 264 Miles <i>of Streets & Repaired 426 potholes</i>	Firefighters extinguished 212 fires and <i>investigated 17 fires</i>	7 <i>Park Facilities</i>
The Neighborhood and Community Services Department <i>issued 1,824 building permits & completed 12,264 inspections</i>		

TOP 10 EMPLOYERS

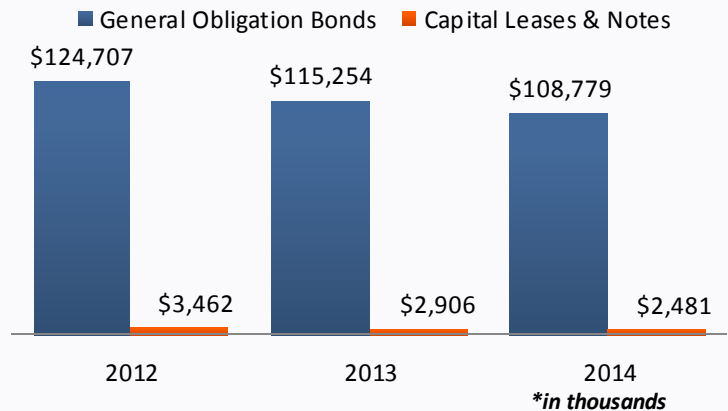
- Western Kentucky University
- The Medical Center
- Union Underwear Company
- Sun Products
- Express Services
- Warren County Board of Education
- General Motors Corporation
- Houchens Food Group Inc
- BG Metalforming LLC
- Commonwealth of Kentucky

Long Term Debt

The City issues long-term debt to fund long-term governmental and business-type projects.

In the Spring of 2014, the Standard & Poors Rating Service upgraded the City's AA- rating to AA for existing general obligation bonds. This is the second highest rating and is considered high grade debt and is defined as a very strong capacity to meet financial commitments.

Long-Term Outstanding Debt*



Request for Information: Questions concerning information found in the report or requests for additional information should be addressed to the CFO. Contact us by mail: City of Bowling Green, Finance Department, PO BOX 1180, Bowling Green, KY 42102-1180 or by email accounting@bgky.org.

