



City of Bowling Green, Kentucky

POPULAR ANNUAL FINANCIAL REPORT



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For the Fiscal Year Ended June 30, 2018

Photo courtesy of: Theresa A. Smith

A MESSAGE FROM THE CITY MANAGER



Dear City Residents,

We are pleased to present the City of Bowling Green's seventh Popular Annual Financial Report (PAFR) for the 2018 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, 2018.

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 12 years and the Award for Outstanding Achievement in Popular Annual Financing Reporting for the last seven 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,

Jeffery B. Meisel

City Manager

"As a city government, we strive to provide the best city services at the lowest appropriate cost, to adequately maintain and invest in public infrastructure, to compete economically on a global and national stage, and seek to improve the quality of life for all residents in the City of Bowling Green."

- Jeff Meisel, City Manager



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 FY2019 budgetary initiatives to show the City's planned investments for the upcoming year. The information reflected in this report was drawn from the 2018 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 past PAFR reports, visit the City's website at www.bgky.org.



Photo courtesy of Jason Dority

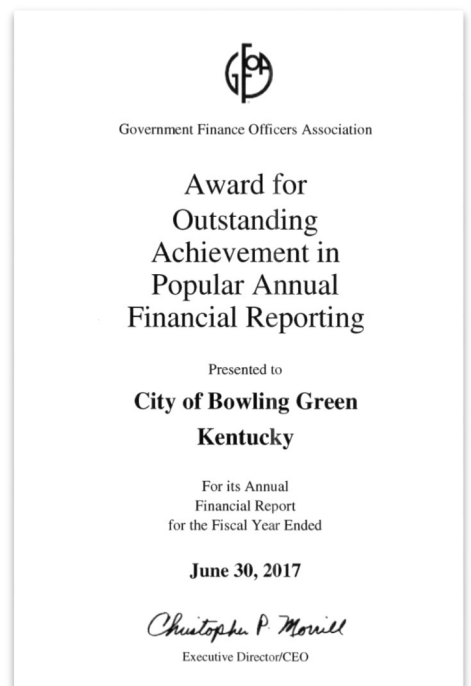
GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARDS

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 fiscal year ended June 30, 2017. 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 seventh 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 FY2017 CAFR for the twelfth consecutive year and the Distinguished Budget Presentation Award for the FY2018 budget for the sixth consecutive year.



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 40.5 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 502,500 workers for the area encompassing a sixty 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, cultural events, and general administrative services. The City employs approximately 442 full-time and up to 290 part-time employees.

Bowling Green has been nationally recognized on many occasions. Recently, the financial news website *24/7 Wall Street* named Bowling Green as Kentucky’s fastest growing city, seeing a 9.7% increase in population for the period between 2011 and 2017, which is 7.3% higher than the State’s average. *Forbes* ranked the City as 29th for Job Growth Rate for “Best Small Places for Business and Careers” out of 200 cities and 29th for Low Cost of Doing Business.



Photo courtesy of Fred Dent



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

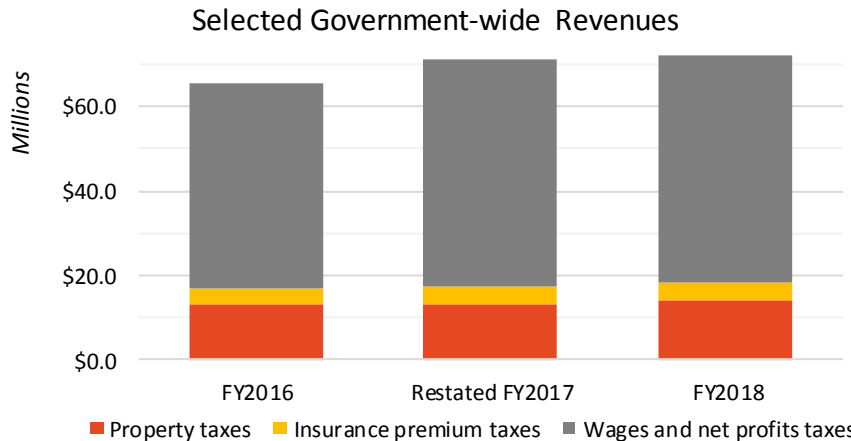
BOARD OF COMMISSIONERS

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 policies, 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.

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)*

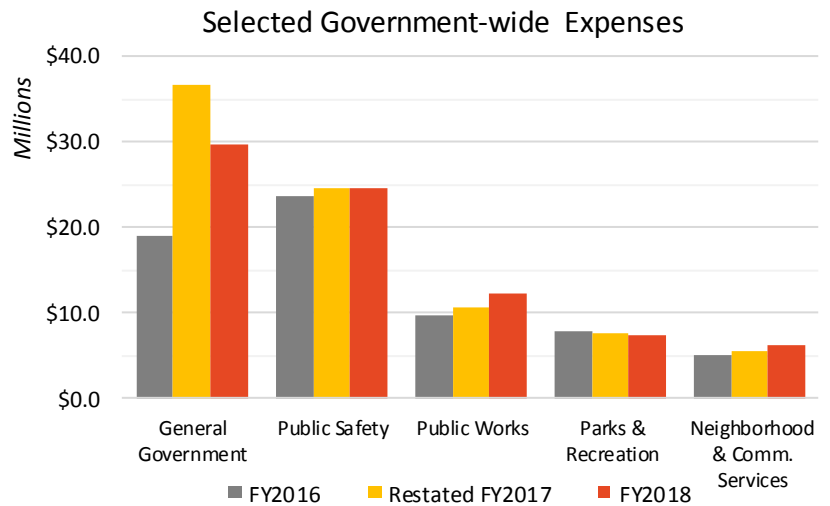


Revenue (in thousands)	FY2016	FY2017	FY2018
Property taxes	\$12,989	\$13,343	\$14,290
Insurance premium taxes	3,839	4,097	4,240
Wages and net profits taxes	48,671	53,841	53,489
All other general revenue	2,093	1,232	1,216
Program revenue	17,296	20,979	20,818
Total Government-wide revenue	\$84,888	\$93,492	\$94,052

The City's major revenues during FY2018 are up slightly when compared to the prior fiscal year. Property taxes have continued to grow in FY2018, at a rate of 7.1% or +\$947,000, due to new construction and rising assessments. The City's largest revenue source, wages and net profits taxes, decreased by 0.7%, or -\$352,000, compared to the prior year as a result of increased extension requests coupled with the application of previous credits on net profit returns. Insurance premium taxes grew by 3.5% or \$143,000 during FY2018. These three revenue sources combined, total **76.6% of the City's primary government revenues** in FY2018. 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)	FY2016	Restated FY2017	FY2018
General Government	\$19,038	\$36,558	\$29,613
Public Safety	23,723	24,582	24,491
Public Works	9,548	10,620	12,284
Parks & Recreation	7,751	7,623	7,256
Neighborhood & Community Services	5,015	5,437	6,203
Agency Services	1,951	2,029	2,232
Interest Expense	3,999	2,829	3,206
Total Government-wide expenses	\$71,025	\$89,678	\$85,286



Government-wide expenses have varied during the three prior years, particularly in FY2017 and FY2018. The prior year change is due to the implementation of **GASB Statement 75**, relating to the reporting of Postemployment Benefits other than Pensions (OPEB), that resulted in a **restatement increasing FY2017 General Government expenses by \$17.6 million**. Expenses for all functions except General Government and Parks & Recreation increased in FY2018 compared to FY2017. Of the increases, Public Works was the largest at +15.7% due to an emphasis on street overlay and one-time construction projects. Neighborhood & Community Services also had a significant increase of +14.1% due to a program targeting homeowner improvements in predetermined census tracts.

OVERALL FINANCIAL HIGHLIGHTS, *Continued*

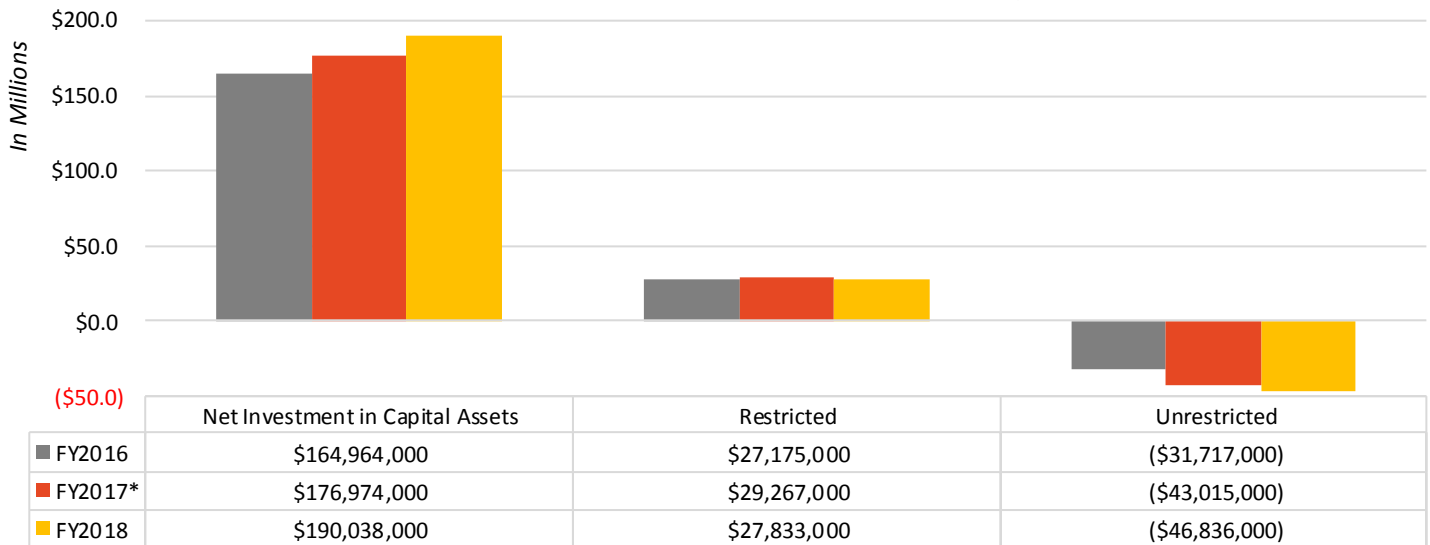
Governmental activities represent activities financed primarily through taxes and intergovernmental revenues. These activities include governmental and internal service funds. The Business-type activities are financed in whole or in-part by fees charged to external parties for goods and services. These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

Summary Statement of Net Position			
Governmental Activities (in thousands)	FY2016	Restated FY2017	FY2018
Assets	\$306,308	\$319,793	\$334,076
Deferred Outflows	16,609	21,785	46,265
Liabilities	162,388	177,640	201,401
Deferred Inflows	<u>107</u>	<u>712</u>	<u>7,906</u>
Total Governmental Net Position	<u>\$160,422</u>	<u>\$163,226</u>	<u>\$171,035</u>
Business-Type Activities (in thousands)	FY2016	FY2017	FY2018
Assets	\$14,569	\$14,806	\$15,349
Deferred Outflows	2	1	1
Liabilities	<u>2,206</u>	<u>1,500</u>	<u>755</u>
Total Business-Type Net Position	<u>\$12,365</u>	<u>\$13,307</u>	<u>\$14,595</u>
Total Net Position (Governmental and Business-Type)	<u>\$172,787</u>	<u>\$176,533</u>	<u>\$185,630</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 total net position increased from \$163.2M in FY2017 to \$171.0M in FY2018, an increase of \$7.8M, or 4.8%.

The implementation of GASB Statement 75, Accounting and Reporting for Postemployment Benefits Other than Pensions (OPEB), was completed in FY2018. This change in accounting principle resulted in the restatement of FY2017 deferred outflows and liabilities, which resulted in a decrease to net position in the amount of \$17.6M. The new liability for OPEB totals over \$29.6M at June 30, 2018.

Governmental Activities Net Position History



* Restated due to change in accounting principle for GASB Statement 75.

The **City's governmental net position**, excluding business-type activity, has **grown \$10.6M since FY2016**.

- GASB Statement 75 resulted in a \$17.6M restatement, which was a decrease to FY2017 unrestricted net position.
- The City was able to absorb this in addition to rising pension liabilities for the County Employees Retirement System, which jumped from \$56.3M in FY2016 to \$81.8M in FY2018, by a steadily increasing net investment in capital assets.
- **Net investment in capital assets increased \$25.0M in just three years**, primarily as a result of an increase in construction in progress, which grew by \$8.5M from FY2017 to FY2018. This increase is due to the construction of several projects in the Parks Department and the purchase of six new fire apparatus that are being custom built.

GENERAL FUND FINANCIAL HIGHLIGHTS

The General Fund serves as the chief operating fund of the City. The total General Fund **fund balance at June 30, 2018 was \$27.6M** or 39.3% of revenues. The FY2018 ending total fund balance *increased \$2,205,553, or +8.7%*, over the FY2017 fund balance of \$25.4M. The increase is a result of strong property tax collections, which increased over \$900,000 in FY2018.

Also, in FY2018 the **committed fund balance, which is 25% of adopted General Fund revenues, totaled \$17.4M** compared to \$16.3M in FY2017. Other fund balance details for the prior three years are presented in the chart below.

** The non-spendable fund balance was \$209,367, \$200,384, and \$223,820, for FY2018, FY2017, and FY2016, respectively. The restricted fund balance was \$0 for FY2018 and FY2017, and \$9,838 for FY2016.*

FUND BALANCE DEFINITIONS

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

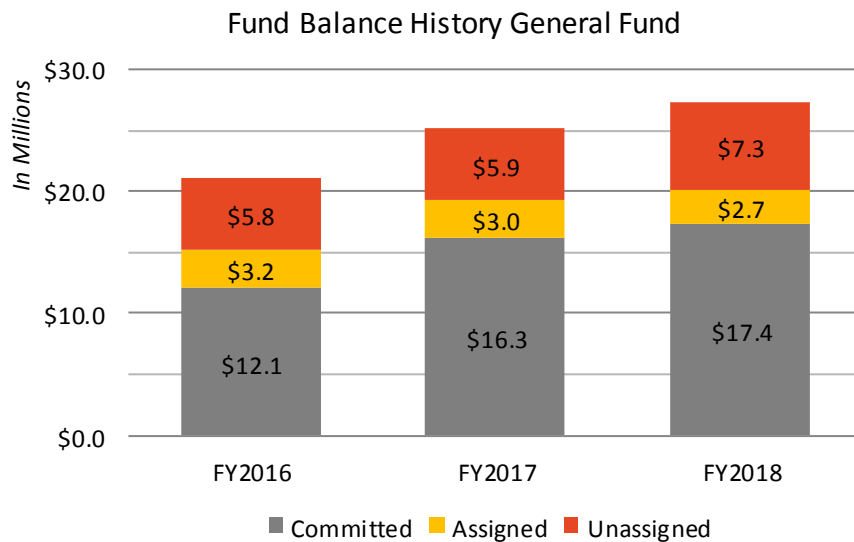
Non-spendable*— Amounts that are not in a spendable form or are required to be maintained intact.

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.

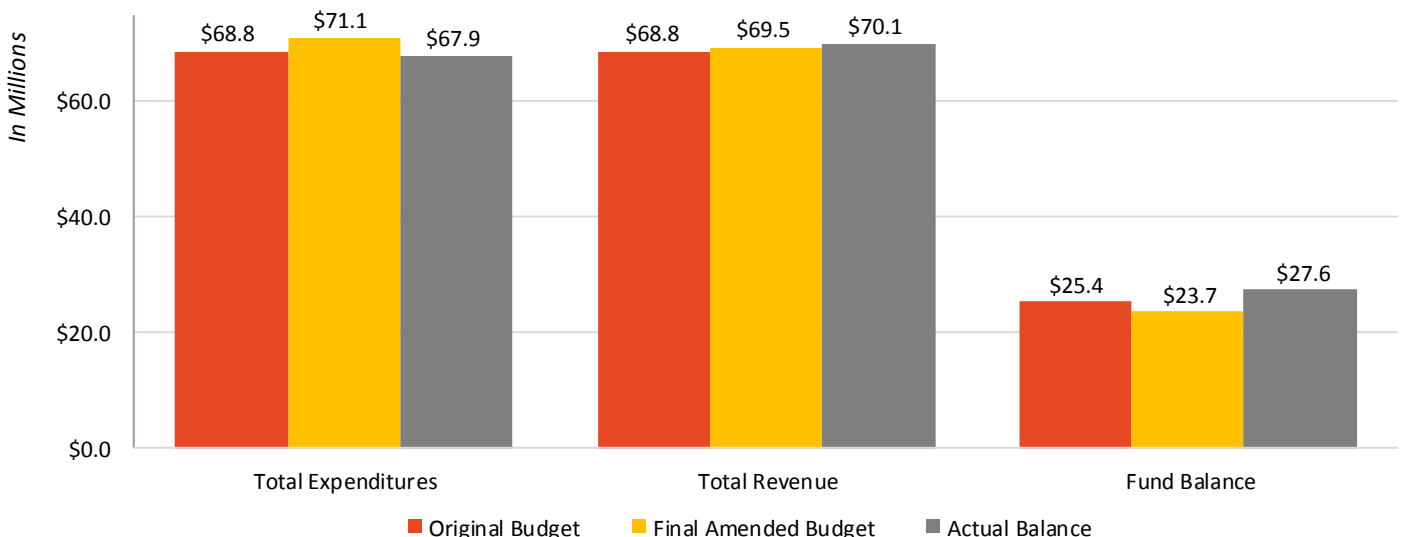
Assigned— Amounts the City intends to use for a specific purpose (such as encumbrances).

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



FY2018 revenues totaled \$70.1M, which outpaced the adopted budget by \$1.3M. The increased revenues are a result of stronger than expected collections of property taxes. Expenditures totaled \$67.9M, which is \$3.2M less than the final amended budget. The resulting fund balance total for the year was \$27.6M, up from the original budgeted amount of \$25.4M, and the amended budgeted figure of \$23.7M. For more information, see the chart below.

FY2018 General Fund Budgetary Comparison



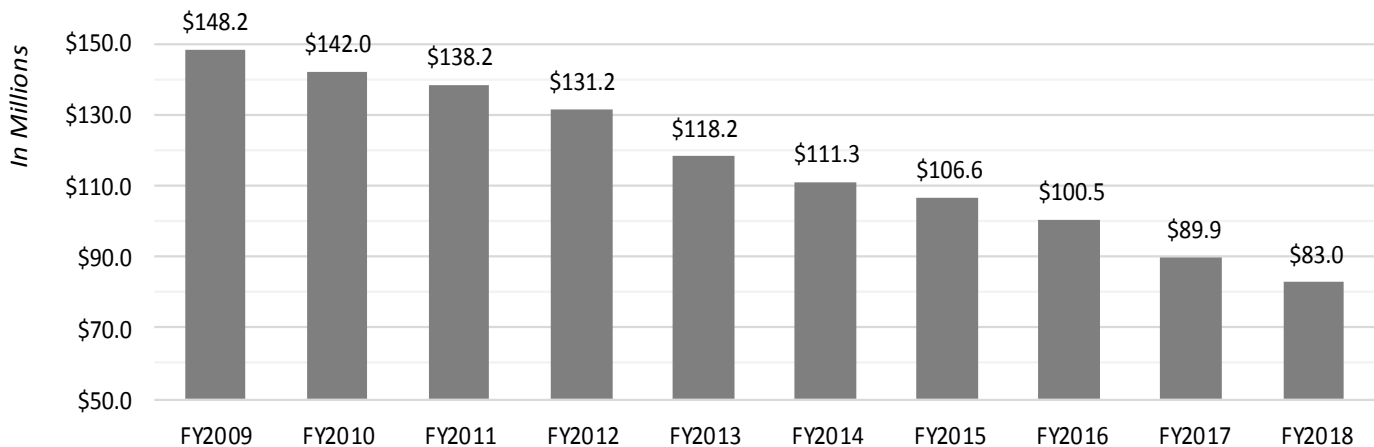
LONG TERM DEBT

The total long term debt outstanding at June 30, 2018, was \$83M, 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 ten year history. **Long term debt has decreased by \$65.1M, or 44.0%, since the high of \$148.2M in 2009.** During the last ten years, the City has refinanced 11 debt issues and paid debt off early, which will result in approximately \$7.3 million in debt service savings through 2038. All refinancing issues captured more favorable interest rates, with some being 200+ basis points lower than the original issue, while maintaining the same maturity dates. This has been accomplished by avoiding new debt issuances, the early defeasance of callable debt, and the fulfillment of the City’s commitment to make all scheduled principal and interest payments. Advanced refundings are no longer allowed under the Federal tax law, but future opportunities to save money on early defeasance of existing debt will continue to be monitored.

In FY2018, outstanding debt decreased \$6.9M from the previous year through scheduled principal payments. It is important to note that this year-to-year decrease also includes new debt issued in the amount of \$3.5M for the purchase of six fire apparatus. The new debt is supported by the Fire Improvement Fund and will not require the use of General Fund revenues.

Long Term Debt 10 Year History



The City of Bowling Green is subject to a legal debt limitation not to exceed 10% of total assessed property value within the city boundaries under Section 158 of the Constitution of the Commonwealth of Kentucky. The City is subject to a legal debt margin of \$506,381,612, which is well above current debt levels.

Legal Debt Margin Calculation	
Assessed Value (est.)	\$ 5,894,237,333
Debt Limit (10% of assessed value)	589,423,733
Debt Applicable to Limit:	
General Obligation Bonds	79,023,373
Notes and Capital Leases Payable	4,018,748
Total Net Debt Applicable to Limit	(83,042,121)
Legal Debt Margin	\$ 506,381,612

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	67,100	59,273	70,908
Total taxable assessed real estate value	\$4,797,509,282	\$3,009,034,677	\$4,415,200,701 ⁴
Real estate tax rate ⁵	\$0.2060	\$0.2593	\$0.4176
Land area (square miles)	40.5	20.7	41
Unemployment rate ⁶	3.5%	3.8%	3.0%
General Fund revenues	\$70,135,054	\$46,521,244	\$66,540,349
Total governmental funds—revenue per capita	\$1,350	\$1,086	\$1,534
Total governmental funds—expenditure per capita	\$1,318	\$1,147	\$1,437

DEBT COMPARISONS

	Bowling Green	Owensboro, KY	Franklin, TN
Total outstanding debt—primary government	\$83,042,121	\$169,018,870	\$198,065,698
Debt per capita	\$1,238	\$2,852	\$2,793
Net general obligation debt as a percentage of assessed taxable real estate	1.73%	5.62%	4.49%

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 FY2018 CAFR.

² FY2017 CAFR (year ended June 30, 2017).

³ FY2017 CAFR (year ended June 30, 2017).

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 Towns Above 25,000 Population (preliminary rates for October 2018).

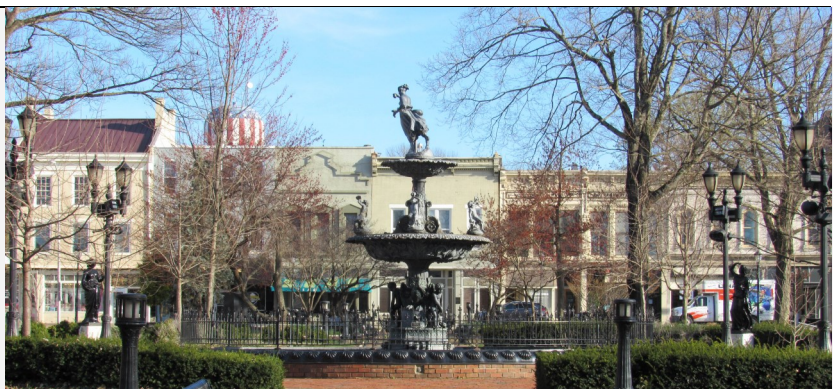


Photo courtesy of Leslie Hale

Outcomes: Past and Future

67,100

Population

3rd

Largest City in the State

22

Parks

64,822

Police 911 Service Calls

6,901

Police Traffic Stops

1,232

Tons of Leaves Picked Up and Recycled

221

Fire Responses

2,155

Building & Electrical Permits Issued

22,487

Property Tax Bills Distributed

598

Potholes Repaired

14,599

Trees, Plants, and Shrubs Planted

2,542

Animal Control Calls

57,105

Rounds of Golf Played at City Golf Courses

12,731

Building, Code & Electrical Inspections

2,435

Job Applicants

442

Full-Time City Employees

FY2019 CAPITAL IMPROVEMENT PROJECTS

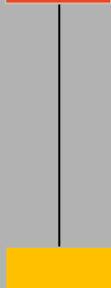
- Storage Area Network Replacement (SAN)
- Switch Replacement
- Server Replacements
- Storm Sewer Mapping

- New Sidewalk Construction
- Stormwater Mitigation
- Skate Park Renovation
- Parker Bennett Court Refurb.
- BG Reinvestment Area Impro.
- Old Louisville Road/River Street Bridge Greenways
- Roland Bland Playground

- Street Resurfacing Program
- Smallhouse Road Improv.
- Shive Lane Widening/ Roundabout
- Downtown Improv. Phase 1
- Smallhouse Road Turn Lanes Construction
- Dishman Lane/Industrial Drive Traffic Signal & Enhancements

- Various Vehicle & Equip. Replacements/New Purchases
- Lovers Lane Fire Station Construction
- Police Bulk Evidence Storage Facility Construction
- RiverWalk Park Renovations
- Sloan Convention Center Generator Replacement

6.8%



Technology Improvements

20.2%



Community Livability

35.5%



Traffic & Roads

37.5%



Municipal Facilities & Equipment