

POPULAR ANNUAL FINANCIAL REPORT



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For the Fiscal Year Ended June 30, 2019



Photo Courtesy of: Russell Long

A MESSAGE FROM THE CITY MANAGER

Dear City Residents,

We are pleased to present the City of Bowling Green's ninth Popular Annual Financial Report (PAFR) for the 2019 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, 2019.

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



"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 to seek to improve the quality of life for all residents in the City of Bowling Green."

- Jeffery Meisel, City Manager



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.

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 FY2020 budgetary initiatives to show the City's planned investments for the upcoming year. The information reflected in this report was drawn from the 2019 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.



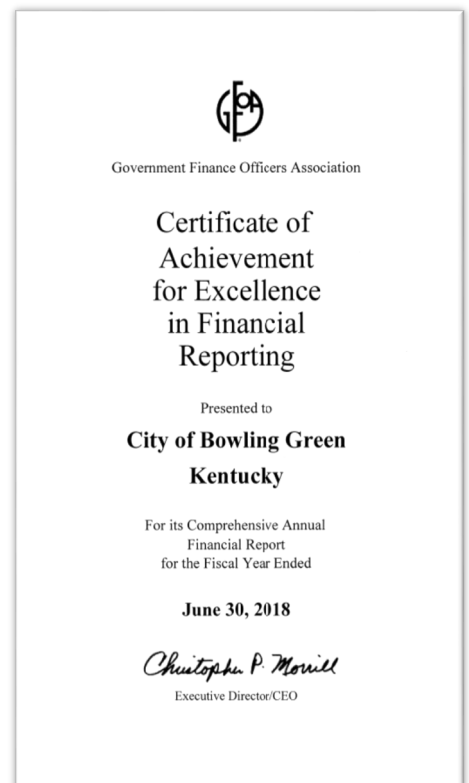
GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARDS

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, 2018. 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 eighth 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.

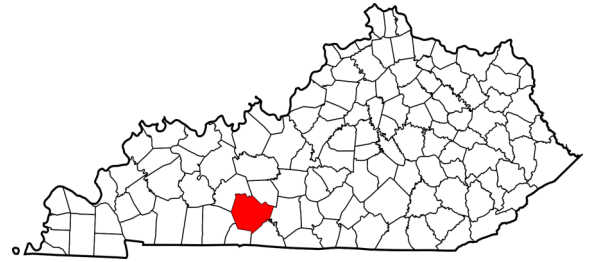
We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

The City also received the GFOA Certificate of Achievement for Excellence in Financial Reporting Award for the FY2018 CAFR for the thirteenth consecutive year and the Distinguished Budget Presentation Award for the FY2019 budget for the eighth consecutive year.



PROFILE OF BOWLING GREEN

Bowling Green, the “Park City” of Kentucky, was established in 1798, and is the third largest city in the Commonwealth with a metropolitan statistical area population of over 174,835. The City limits occupy a land area of over 40.7 square miles, has a current population estimated at over 68,400 and serves as the retail, educational, medical, commercial, and social hub for South-Central Kentucky and Northern Tennessee. The labor market for the area encompasses an area with a radius of sixty (60) minutes from the city and includes approximately 502,500 employable workers 18 years and older.



Bowling Green is home to several significant companies including the General Motors Corvette Assembly Plant, Fruit of the Loom, Houchens Industries, Holley Performance Products and Camping World. The State's third largest public university, Western Kentucky University, is also situated in Bowling Green and has approximately 19,500 students in a wide range of academic programs. The University's athletic teams are dubbed the “Hilltoppers.”

The City provides a full range of municipal services, including police and fire protection, permitting and inspection services, construction and maintenance of streets and other infrastructure, recreational activities and cultural events, and general administrative services. The City employs approximately 465 full-time and up to 298 part-time employees.

Bowling Green has been nationally recognized on many occasions and recent accolades include being named by financial news website *24/7 Wall Street* as Kentucky's fastest growing metropolitan area for the seven-year period between 2010 and 2017. *TIME* Magazine named Bowling Green as the best place to live in the Commonwealth of Kentucky in 2018. *Forbes* listed Bowling Green as #36 for Job Growth. *NewsGeography.com* ranked Bowling Green 25th on Best Small-sized Cities for Job Growth. The Chamber of Commerce ranked Bowling Green as 13th in the nation for Best Small Cities for Business in 2019. Additionally, the Bowling Green Area Chamber of Commerce was again recognized by *Site Selection* magazine as one of the Nation's top areas attracting corporate facility investment, 2018 was the fifth consecutive year Bowling Green ranked 2nd and the fifth year in the top 6 nationwide.



Photo courtesy of Steven B. Bailey



Photo courtesy of Stephen Pruitt



Photo courtesy of Sarah McKenzie

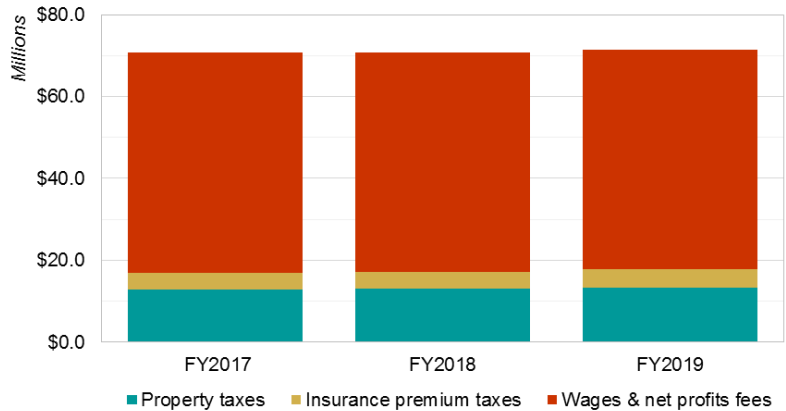
Government-wide Financials

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 <i>(in thousands)</i>	FY2017	FY2018	FY2019
Property taxes	\$13,343	\$14,290	\$14,963
Ins. premium taxes	4,097	4,240	4,477
Wages and net profits fees	53,841	53,489	53,636
All other general revenue	1,232	1,216	2,672
Program revenue	<u>20,979</u>	<u>20,818</u>	<u>20,482</u>
Total Government-wide revenue	<u>\$93,492</u>	<u>\$94,052</u>	<u>\$96,231</u>

Selected Government-wide Revenues



The City's major revenues during FY2019 are up when compared to the prior fiscal years.

- ✓ Property taxes have continued to grow in FY2019, at a rate of 4.7%, or +\$674,000, due to new construction and rising assessments.
- ✓ The City's largest revenue source, wages and net profits fees, increased by 0.3%, or +\$148,000, in FY2019.
- ✓ Insurance premium taxes grew by 5.6% or \$237,000 during FY2019.

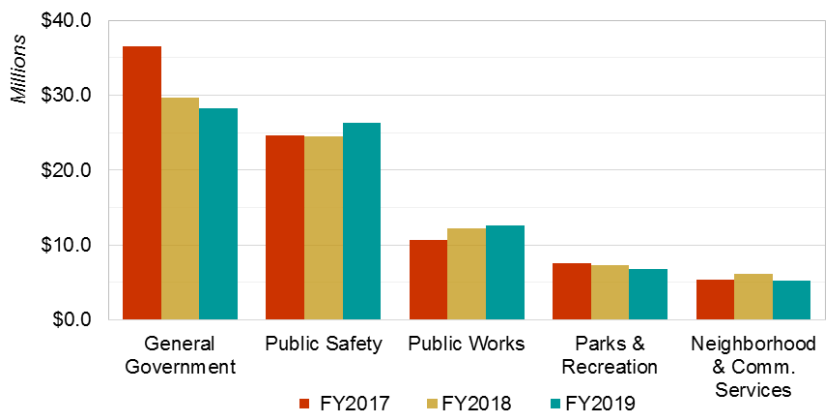
These three revenue sources combined, total **75.9% of the City's primary government revenues** in FY2019.

- ✓ 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 <i>(in thousands)</i>	FY2017*	FY2018	FY2019
General Gov.	\$36,558	\$29,613	\$28,297
Public Safety	24,582	24,491	26,265
Public Works	10,620	12,284	12,669
Parks & Recreation	7,623	7,256	6,808
Neighborhood & Comm. Services	5,437	6,203	5,279
Agency Services	2,029	2,232	2,495
Interest Expense	<u>2,829</u>	<u>3,206</u>	<u>5,101</u>
Total Government-wide expenses	<u>\$89,678</u>	<u>\$85,286</u>	<u>\$86,913</u>

Selected Government-wide Expenses



* Restated figures from implementation of GASB Statement 75.

Government-wide expenses have varied during the three prior years, particularly in FY2017 and FY2018.

- ✓ The decrease in general government expenses from FY2017 to FY2018 is due to the implementation of GASB Statement 75 that resulted in an increase in expenses of \$17.6 million in FY2017.
- ✓ Public Safety expenses increased from FY2018 to FY2019 by over \$1.7M, or +7.2%, due to the purchase of six new fire apparatus, five of which were completed and placed into service during FY2019.
- ✓ Neighborhood & Community Services expenses decreased from FY2018 to FY2019 by \$924,000, or -14.9%, due to the transition from one homeowner targeted improvement program to another.
- ✓ Interest expenses increased by \$1.9M, or +59.1%, due to scheduled debt service payments.

Government-wide Financials

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.

STATEMENT OF NET POSITION

Summary Statement of Net Position

<i>Governmental Activities</i> (in thousands)	FY2017*	FY2018	FY2019
Assets	\$319,793	\$334,076	\$345,558
Deferred Outflows	21,785	46,265	37,358
Liabilities	177,640	201,401	191,511
Deferred Inflows	712	7,906	11,996
Total Governmental Net Position	<u>\$163,226</u>	<u>\$171,035</u>	<u>\$179,409</u>
<i>Business-Type Activities</i> (in thousands)	FY2017	FY2018	FY2019
Assets	\$14,806	\$15,349	\$15,778
Deferred Outflows	1	1	0
Liabilities	1,500	755	0
Total Business-Type Net Position	<u>\$13,307</u>	<u>\$14,595</u>	<u>\$15,778</u>
Total Net Position (Governmental and Business-Type)	<u>\$176,533</u>	<u>\$185,630</u>	<u>\$195,187</u>

* Restated figures from implementation of GASB Statement 75.

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 \$171.0M in FY2018 **to \$179.4M** in FY2019, **an increase of \$8.4M, or +4.9%.**

- ✓ Governmental Assets increased due to the addition of capital assets and increased cash and investment holdings.
- ✓ Deferred Outflows of Resources related to pensions and Other Post-Employment Benefits (OPEB) decreased as a result of changes to actuarial assumptions.

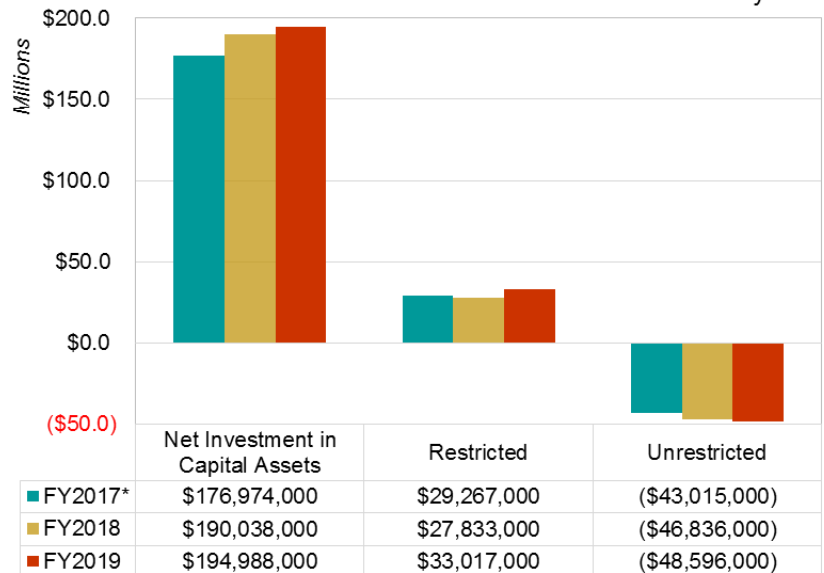
- ✓ Liabilities decreased due to the scheduled payoff of debt and a reduction to the OPEB liability, while the pension liability rose.

- ✓ Deferred Inflows of Resources related to OPEB increased as a result of a change in the actuarial liability experience.

The City's governmental net position, excluding business-type activity, has grown \$16.2M since FY2017.

- ✓ GASB Statement 75 resulted in a \$17.6M decrease to FY2017 unrestricted net position.
- ✓ The City was able to absorb this, in addition, to rising pension and OPEB liabilities by steadily increasing the net investment in capital assets.
- ✓ Restricted net position has grown \$3.8M since FY2017 due to the prefunding of cash for future projects in capital project funds.
- ✓ **Net investment in capital assets increased \$18.0M in three years,** primarily as a result of street and sidewalk infrastructure, net of depreciation, which grew by nearly \$10.0M from FY2017 to FY2019. The acquisition of capital assets grew by almost \$4.0M due to the construction of several projects in the Parks Department and the purchase of six new fire apparatus by the Fire Department.

Governmental Activities Net Position History



* Restated figures from implementation of GASB Statement 75.

GENERAL FUND FINANCIAL HIGHLIGHTS

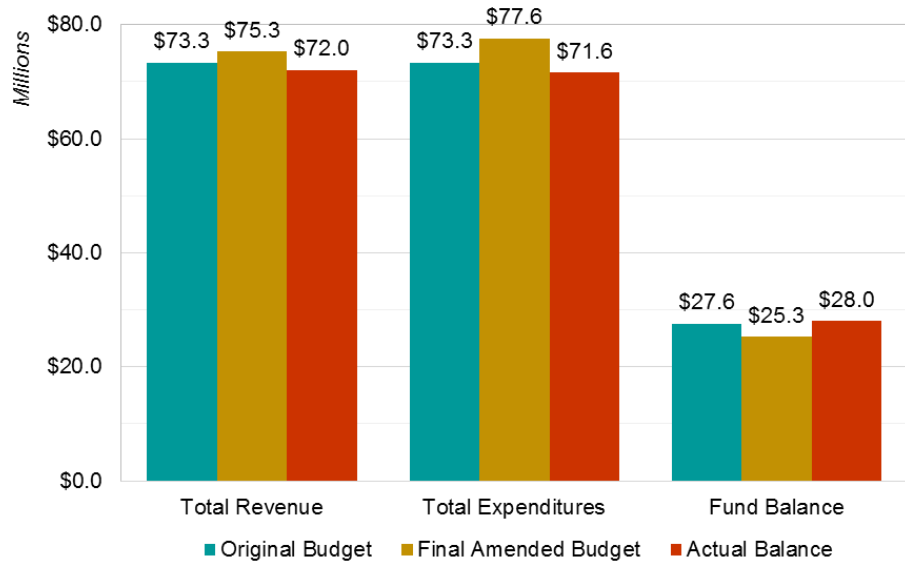
FY2019 actual revenue collections totaled \$72.0M, which fell short of the original budget by \$1.3M. The decreased revenues are a result of weaker than expected collections of wages and net profits fees revenues.

Actual expenditures totaled \$71.6M, which is \$6.0M less than the final amended budget. Actual expenditures were significantly less than the final amended budget due to projects being carried forward to the next fiscal year for completion.

The resulting fund balance total for FY2019 was \$28.0M, up from the original budgeted amount of \$27.6M, and the amended budget figure of \$25.3M.

Additional information on the current and prior year fund balances is presented below.

FY2019 General Fund Budgetary Comparison



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.

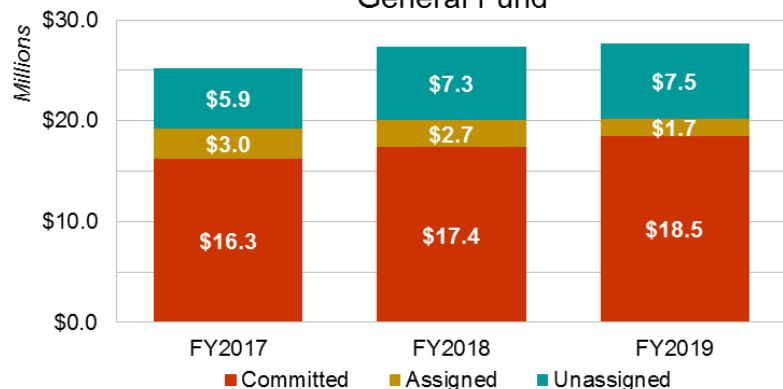
Assigned— Amounts the City intends to use for a specific purpose (such as encumbrances).

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

The General Fund serves as the chief operating fund of the City. The total General Fund ***fund balance at June 30, 2019 was \$28.0M***, or 38.9% of revenues. The FY2019 ending total fund balance increased \$422,000, or +1.5%, over the FY2018 fund balance of \$27.6M. The increase is a result of rising insurance premium tax revenue due to the upsurge in multi-unit housing.

Also, in FY2019 the ***committed fund balance***, which is 25% of adopted General Fund revenues, ***totaled \$18.5M*** compared to \$17.4M in FY2018. Other fund balance details for the prior three years are presented in the chart below.

Fund Balance History
General Fund



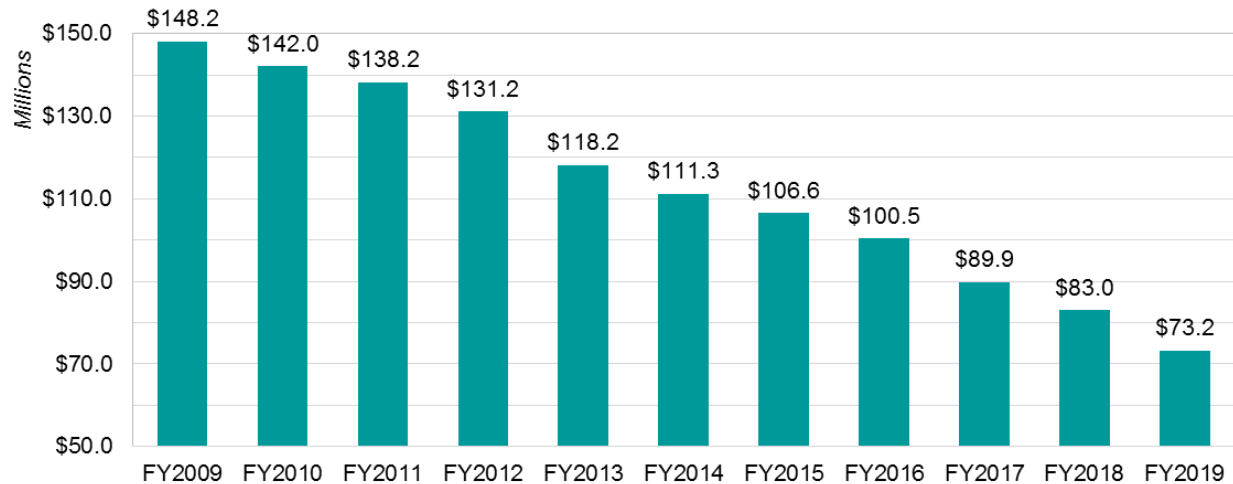
*The non-spendable fund balance was \$293,526, \$209,367, and \$200,384, for FY2019, FY2018, and FY2017, respectively. The restricted fund balance was \$0 for FY2019, FY2018, and FY2017.

Long-Term Debt

The total long-term debt outstanding at June 30, 2019, was \$73.2M, net of discounts and premiums. The City currently maintains bond ratings of "Aa2" from Moody's and "AA" from Standard & Poor's.

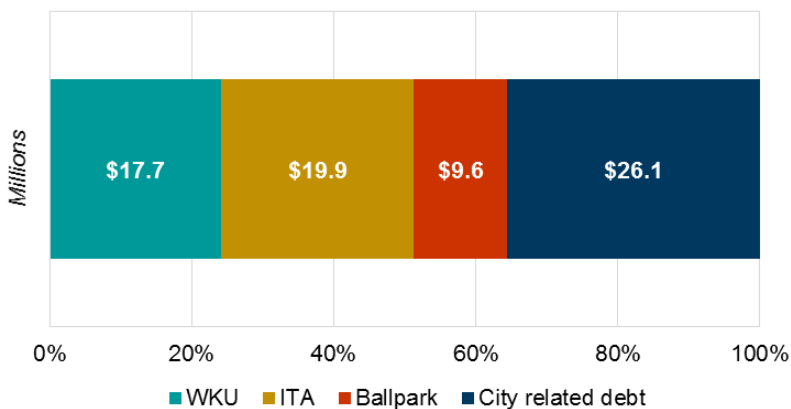
Below is a graphical illustration of the history of the City's long-term debt. **Long-term debt has decreased by \$74.9M, or 50.6%, since the high of \$148.2M in 2009.** During the last 11 years, the City has refinanced 11 bond issues and paid debt off early, which will result in approximately \$7.3 million in debt service savings through 2038. 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.

Long-Term Debt History



In FY2019, outstanding debt decreased \$9.8M from the previous year through scheduled principal payments. No new debt was issued in FY2019.

Composition of Long-Term Debt



The City's outstanding debt, net of discounts and premiums, is comprised not only of debt issued for City related projects, but also of debt for non-City government purposes and entities. This includes debt issued for: Western Kentucky University (\$17,680,000), Ballpark (\$19,895,000), and the Intermodal Transpark Authority or ITA (\$9,575,000). The debt for WKU is paid 100% by the University and the debt for ITA is paid 50% by the City and 50% by Warren County, while the Ballpark debt is paid 100% by the City. The chart to the left shows the composition of debt, over 60% of debt currently outstanding was issued for non-City entities and projects.

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 \$556,306,184, which is well above current debt levels.

Legal Debt Margin Calculation	
Assessed Value (est.)	\$ 6,295,517,545
Debt Limit (10% of assessed value)	629,551,755
Debt Applicable to Limit:	
General Obligation Bonds	69,731,975
Notes and Capital Leases Payable	3,513,596
Total Net Debt Applicable to Limit	(73,245,571)
Legal Debt Margin	\$ 556,306,184

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	68,400	59,404	70,908
Total taxable assessed real estate value	\$5,154,555,351	\$3,102,696,394	\$4,620,799,261 ⁴
Real estate tax rate ⁵	\$0.2050	\$0.2620	\$0.4176
Land area (square miles)	40.7	20.9	41
Unemployment rate ⁶	3.5%	3.4%	2.6%
General Fund revenues	\$72,042,253	\$52,884,659	\$69,100,055
Total governmental funds—revenue per capita	\$1,397	\$1,148	\$1,706
Total governmental funds—expenditure per capita	\$1,216	\$1,315	\$1,565

DEBT COMPARISONS

	Bowling Green	Owensboro, KY	Franklin, TN
Total outstanding debt—primary government	\$73,245,571	\$159,274,793	\$185,526,235
Debt per capita	\$1,070	\$2,681	\$2,616
Net general obligation debt as a percentage of assessed taxable real estate	1.42%	5.13%	4.02%

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 FY2019 CAFR.

² FY2018 CAFR (year ended June 30, 2018).

³ FY2018 CAFR (year ended June 30, 2018).

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 2019).



Photo courtesy of Ivan Beasley

Outcomes: Past and Future

68,400

Population

3rd

Largest City in the State

21

Parks

66,314

Police 911 Service Calls

6,512

Police Traffic Stops

6,450

Feet of New Sidewalk Constructed

7,519

Fire Incident Responses

2,284

Building & Electrical Permits Issued

22,587

Property Tax Bills Distributed

329

Potholes Repaired

21,974

Trees, Plants, and Shrubs Planted

2,698

Animal Control Calls

58,213

Rounds of Golf Played at City Golf Courses

13,816

Building, Code & Electrical Inspections

3,688

Job Applicants

465

Full-Time City Employees

FY2020 APPROVED CAPITAL IMPROVEMENT PROJECTS

19.1%

- Replace Police Mobile Data Computers
- Install Computer Aided Dispatch (CAD) Software & Equipment
- Replace Uninterruptible Power Supply (UPS)
- Netapp SAN Upgrade
- Server Replacement/Upgrade

\$2,808,300

Technology Improvements

15.3%

- Sidewalk Improvement & Reconstruction Programs
- Stormwater Mitigation
- Lovers Lane Soccer Complex Parking Lot Expansion
- CrossWinds Golf Bunker Replacement
- BG Reinvestment Neighborhood Improvement Program

\$2,254,024

Community Livability

32.9%

- Street Resurfacing/Overlay
- Smallhouse Rd Localized Improvements, Phase III
- Downtown Improvements Project, Phase II
- Shive Lane Widening & Roundabout, Phase I
- Localized Residential Traffic Flow Improvements
- Hobson Grove Connector Roadway
- Fairview Cemetery Roads Resurfacing

\$4,850,000

Traffic & Roads

32.7%

- Vehicle/Equipment Purchases & Replacements
- Fire Aerial Truck Replacement, Engine Purchase
- Sloan Convention Center Interior Upgrades
- Russell Sims Aquatic Center Variable Frequency Drive Pumps Replacement
- Lovers Lane Fire Station Furnishings & Alerting System

\$4,820,500

Municipal Facilities & Equipment