



**City of Bowling Green,
Kentucky**

**POPULAR ANNUAL
FINANCIAL REPORT**

For period ending June 30, 2015



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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. This year the PAFR will also highlight FY2016 budgetary initiatives to show the City’s planned investments for the upcoming year. The information reflected in this report was drawn from the 2015 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.



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 62,500 and serves as the retail, educational, medical, commercial, and social hub for South-Central Kentucky and Northern Tennessee. The area’s labor market is comprised of approximately 475,000 workers who are over 18, residing within a sixty-minute drive from the city.

Bowling Green is the home to several significant companies including General Motors Corvette Assembly Plant, Fruit of the Loom/Russell Athletics, Houchens Industries, Holley Performance Products, and Camping World. The state’s second largest public university, Western Kentucky University, is also situated in Bowling Green and boasts over 20,000 students in a wide range of academic programs. The University’s athletic teams are known as the “Hilltoppers” and the men’s football team achieved success in 2015 by winning the NCAA Division I Miami Beach Bowl.



The 2015 Board of Commissioners



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

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, and 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, City Commissioners, who serve in office very two years. The Board is responsible for passing ordinances, adopting the budget, appointing committees and ratifying personnel appointments/promotions as recommended by the 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

A Message from the City Manager

November 30, 2015

Dear City Residents,

We are pleased to present the City of Bowling Green's fifth *Popular Annual Financial Report (PAFR)* for the 2015 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, 2015.

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 nine years and the Award for Outstanding Achievement in Popular Annual Financing Reporting for the last four 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





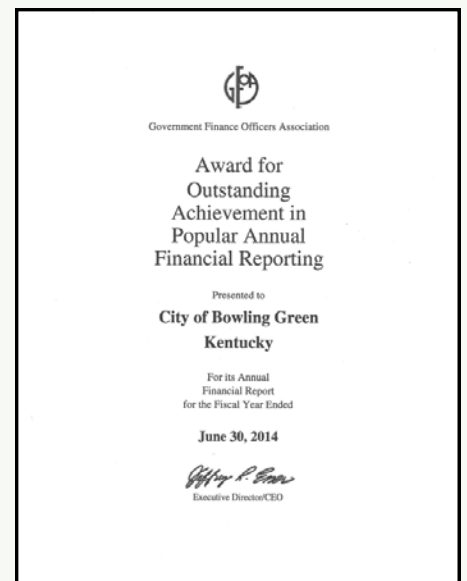
Awards

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 fiscal year ended June 30, 2014. 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 fourth 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 FY2014 CAFR for the ninth consecutive year, and the Distinguished Budget Presentation Award for the FY2016 budget for the fourth consecutive year.



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

Governmental Activities (in thousands)	2013	Restated 2014	2015
Assets	\$ 288,333	\$ 291,906	\$ 301,268
Deferred Outflows	-	2,728	7,251
Liabilities	118,195	161,026 ★	156,670
Deferred Inflows	-	-	4,303
Total Net Position	\$ 170,138	\$ 133,608	\$ 147,546
Adjust for Reclassification of Golf and Aquatics from Business-type to Governmental Activities		5,000 ★	
		\$ 138,608	
Business-Type Activities (in thousands)			
Assets	\$ 20,801	\$ 21,133	\$ 13,717
Deferred Outflows	-	3	2
Liabilities	7,003	6,412	2,942
Total Net Position	\$ 13,798	\$ 14,724	\$ 10,777
Adjust for Reclassification of Golf and Aquatics from Business-type to Governmental Activities		-5,000 ★	
		\$ 9,724	

Statement of Net Position Points of Interest

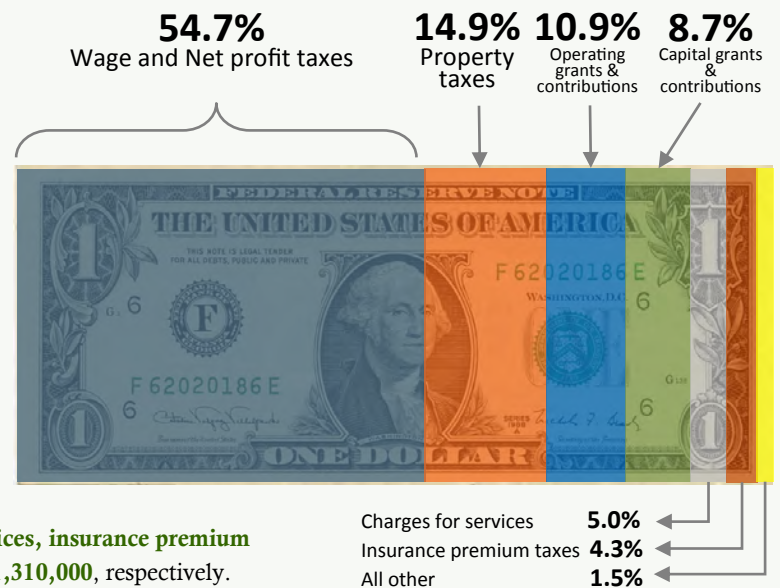
★ **Net Pension Liability** was added to the 2014 financial statements as a restatement. The addition of this new liability is a result the City's implementation of GASB 68 Accounting and Financial Reporting for Pensions. This new liability totals over \$44.0 million at 6/30/2015.

★ **Reclassification of Golf and Aquatic programs** from business-type to governmental activities was effective on 7/1/2014. A total of \$5.0 million was reclassified to the general fund with the change.

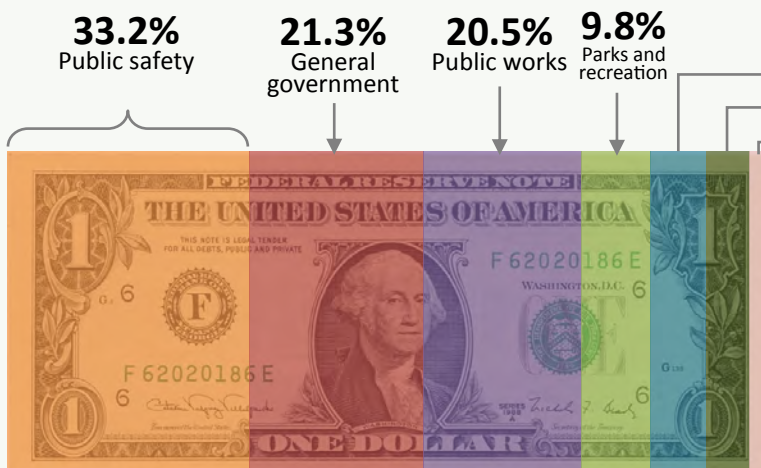
Total Net Position for the period ending June 30, 2015, increased for both governmental and business-type activities by \$9.0 million and \$1.0 million, respectively. The increase is after consideration of the restatement for the change in accounting principle (GASB 68) and the reclassification adjustment.

WHERE THE MONEY COMES FROM:

The City's largest revenue source is from **wage and net profit taxes**, which are collected from employee wages and net profits earned from businesses located within city limits. **Over \$46,774,000 was collected** from this revenue source in 2015, an **increase of \$3,585,000, or +8.3%**, over the prior year. The second largest revenue source is **property taxes**, which collected **\$12,761,000** in 2015, an **increase of \$508,000, or +4.1%**, over 2014. City property tax rates have remained unchanged since 2008 and are derived from the following types of property: real estate, personal property, and motor vehicles and boats. The third and fourth largest revenue sources are **operating grants and contributions and capital grants and contributions**, which totaled **\$9,338,000 and \$7,397,000** in 2015, respectively. These revenues include funding from other governments, such as federal and state entities. The smallest sources of revenue are **charges for services, insurance premium taxes and all other** with 2015 totals of **\$4,267,000, \$3,660,000, and \$1,310,000**, respectively.



WHERE THE MONEY GOES:



The City's largest expense is the **public safety program**, which includes **both police and fire services and totaled \$25,081,000** in 2015. The next largest expense covers the **general government costs**, which total **\$16,082,000** in 2015. These expenses are generated from the City's administrative departments such as legislative, administration, finance, information technology, law, and human resources. **Public Works** expenses totaled **\$15,513,000** in 2015, which covers costs related to streets, sidewalks, and storm drainage. **Parks and recreation** expenses totaled **\$7,435,000** in 2015 expenses, followed by **interest expense (\$5,932,000)**, **neighborhood and community services (\$4,309,000)** and **other community services (\$1,268,000)**.

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

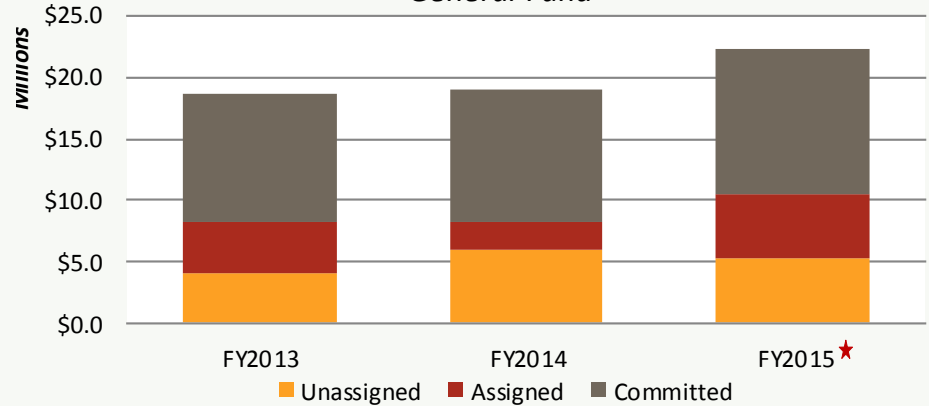
Restricted*— Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or enabling legislation

Committed— Amounts constrained to specific purposes by the City itself, 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

Fund Balance History General Fund



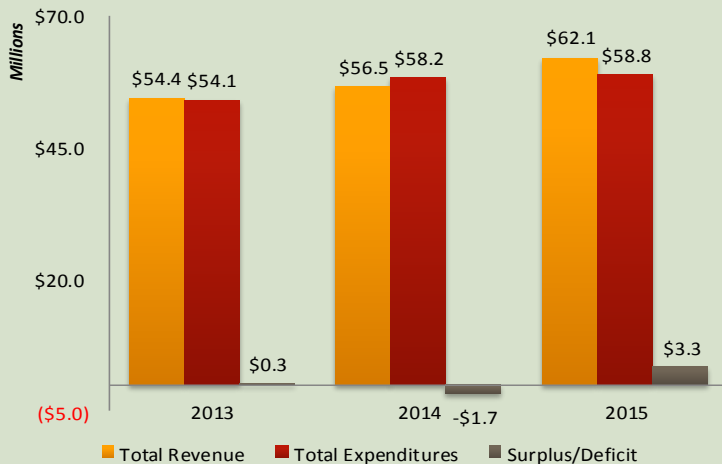
* The non-spendable fund balance was \$217,129, \$190,343, and \$102,022 for FY2015, FY2014, and FY2013, respectively. The restricted fund balance was \$2,289 for FY2015 and \$0 in prior years.

The total General Fund **fund balance at June 30, 2015 was \$22.5 million** or 36.3% of revenues. The FY2015 ending total fund balance *increased \$3,342,670 or +17.4%* over the reclassified FY2014 fund balance of \$19.2 million. The increase is due to better than expected revenue collections for occupational wage and net profit taxes.

★ *The growth in committed fund balance from FY2014 to FY2015 is a result of an increased adopted revenue base from the inclusion of the Golf and Aquatic programs into 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 financials statements presented on page 5, the general fund is presented using a current resources focus, which means the revenues and expenditures are to be collected or paid in the near term.

Fiscal Year 2015 ended with a general fund surplus, or revenues collected minus expenses paid, of over \$3.3 million. This is an improvement of over \$5.0 million from the previous fiscal year. The strong performance is attributed to better than expected occupational wage and net profit tax revenue growth and a nearly flat increase in expenses.



LONG TERM DEBT

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

In the Spring of 2015, Moody's Investors Service affirmed the City's credit rating of Aa2 for existing general obligation bonds. This is the second highest rating and signifies that debt is of high quality and subject to low credit risk.

Rating Service	Credit Rating
Moody's	Aa2
Standard & Poors	AA

In March of 2014, the Standard & Poors Rating Service upgraded the 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.

The City's desirable credit ratings have been achieved, in part, as a result of steadily rising available fund balance levels. Available fund balance is an important financial indicator that represents fiscal sustainability.

The below chart summarizes the City's outstanding debt for the prior three fiscal years.

LONG-TERM OUTSTANDING DEBT			
(in thousands)	2013	2014	2015
General Obligation Bonds	\$ 115,254	\$ 108,779	\$ 104,494
Capital Leases & Notes	2,906	2,481	2,120
Total Outstanding Debt	\$ 118,160	\$ 111,260	\$ 106,614

FISCAL YEAR 2016 INITIATIVES

IMPROVING TECHNOLOGY

Ever-evolving technology requires the purchase of new equipment, such as: **digital microfilm viewer/scanner** for the records retention facility and the **upgrade of credit card processing equipment** to recognize EMV embedded chip technology.

\$93,500

investment in FY2016

Additionally, the **implementation of an intrusion prevention system** will add another layer of security to the City's network

and will provide monitoring capabilities to proactively alert personnel of potential threats.

NEW EMPLOYEE HEALTH CENTER

The development, construction and implementation of an on-site employee health center is one of the major 2016 City projects. The center will



provide more immediate routine-type health services for employees and their dependents. The center will be located in the City Hall Annex and is expected to be operational by the Winter of 2015.

Savings of \$725,000

anticipated in the first three years of operation

FOCUSING ON COMMUNITY INVOLVEMENT

The FY2016 budget provided funding for a new initiative, **Academy for New Americans**. The academy is a free leadership training program to empower new Americans to understand and participate in city government.

The program will provide the participants with the tools necessary to navigate City services and other resources and to use these tools to assist their respective ethnic communities and neighborhoods.

\$6,100

of FY16 funding

ANTICIPATING UNFORESEEN SINKHOLES

Properties throughout the City experienced an increase in sinkhole activity during 2015. This prompted management to provide an additional \$25,000 to the

program

in the
FY2016

Budget.

The funding will be used to address sinkhole repairs that may develop at any City-owned or maintained property. In particular, City golf courses and the Lover's Lane Soccer Complex are vulnerable to sinkhole development.

\$100,000

budgeted in FY2016

CORRIDOR MOWING PLAN

The City, Warren County and Operation P.R.I.D.E. will continue as partners to maintain the landscape of the seven major corridors leading into Bowling Green. This new partnership was formed after the dissolution of the Inmate Mowing Agreement in October of 2013. The FY2016 budget also enlisted Operation P.R.I.D.E. to take over the Louisville Road mowing contract effective January 1, 2016.

\$25,000 in FY16 budget

ENHANCING SERVICES

The 2016 budget included funds to *continue increasing awareness of City services* through an **enhanced advertising and social media campaign**. Also, the Parks and Recreation Department's budget provided for the *expansion of existing software* to allow participants to *register online* for various parks activities, reserve facilities, renew or purchase passes and signup for leagues.

over **\$40,000** allocated in 2016



BOWLING GREEN FACTS & STATISTICS

2015 STATISTICS

<p>62,479 Population of Bowling Green</p>	<p>Bowling Green is the 3rd Largest City in the State</p>	<p>21 Parks</p>
<p>78,465 Police 911 Service Calls</p>	<p>9,017 Police Traffic stops</p>	<p>7 Park Facilities</p>
<p>Public Works maintained 257 Miles of Streets & Repaired 826 potholes</p>		<p>Firefighters extinguished 282 fires and investigated 63 fires</p>
<p>The Neighborhood and Community Services Department issued 2,003 building permits & completed 10,796 inspections</p>		

- ### TOP 10 EMPLOYERS
- Western Kentucky University
 - The Medical Center
 - Union Underwear Company
 - BG Metalforming LLC
 - Sun Products
 - Warren County Board of Education
 - General Motors Corporation
 - Express Services
 - Houchens Food Group Inc
 - Commonwealth of Kentucky



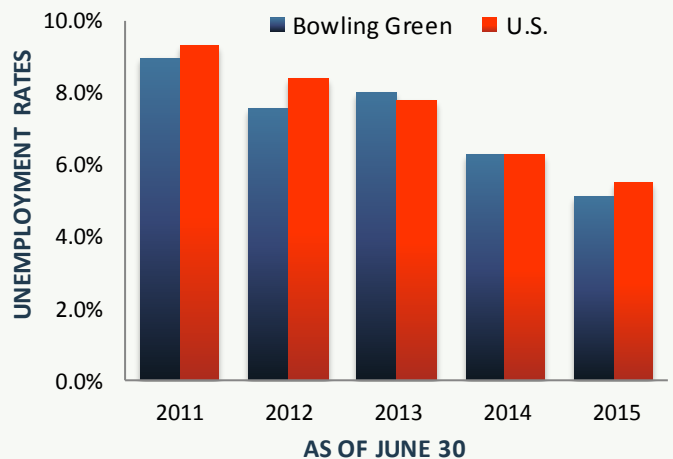
2015 Bowling Green International Festival

The of City Bowling Green's population has grown steadily since 2011, resulting in a five-year average growth rate of 1.9%. Bowling Green continues to be Kentucky's third largest city following Louisville and Lexington.

Source: Bureau of Labor Statistics

Bowling Green's local unemployment rates have remained positive in the past five years. The local five-year average unemployment rate is 7.2% compared to a national average of 7.46%.

Source: Bureau of Labor Statistics



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.

