



Dave Yost • Auditor of State

**CITY OF BOWLING GREEN
WOOD COUNTY**

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WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Bowling Green
Wood County
304 North Church Street
Bowling Green, Ohio 43402-2399

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows

thereof and the respective budgetary comparisons for the General Fund and Playground and Recreation Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The comparative enterprise fund financial statements present additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The statements and schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the statements and schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of the City's internal control over financial reporting and our tests of its

compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 19, 2016

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City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The discussion and analysis of the City of Bowling Green's financial performance provides an overview of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2015 are as follows:

In total, the City's net position increased \$8,467,172, or 5 percent. Governmental activities increased 8 percent and business-type activities increased 5 percent.

A review of the enterprise funds reflects an operating income for the Electric Fund and Water Fund and an operating loss for the Sewer Fund. However, the Sewer Fund had an increase in net position due to capital contributions.

One important aspect to consider with the Water and Sewer funds is that governmental funds finance a significant portion of water and sewer infrastructure improvements through a portion of the City's income tax. Of the 2 percent income tax that is divided by ordinance between various funds, the Sewer and Water Improvement Fund receives 25 percent of the proceeds.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Bowling Green's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, Playground and Recreation, Sewer and Water Capital Improvement, Electric, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2015. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

These statements report the City's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; electric, water, and sewer lines). These factors must be considered when assessing the overall health of the City.

In the statement of net position and the statement of activities, the City is divided into two types of activities:

Governmental Activities - Most of the City's programs and services are reported here, including security of persons and property (police, fire, and ambulance), public health, leisure time activities, community environment, basic utility services, transportation, and general government (court and other). These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's electric, water, and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Playground and Recreation, Sewer and Water Capital Improvement, Electric, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The City uses enterprise funds to account for electric, water, and sewer operations. Internal service funds are an accounting device used to accumulate and allocate internal costs among the City's other programs and activities. The internal service fund accounts for engineering services that are provided to the other departments of the City or to other governmental units.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 presents a summary of the City's net position for 2015 and 2014.

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| <u>Assets</u> | | | | | | |
| Current and Other Assets | \$25,748,771 | \$24,740,170 | \$45,181,008 | \$40,237,263 | \$70,929,779 | \$64,977,433 |
| Capital Assets, Net | 46,237,253 | 46,905,136 | 113,868,366 | 112,673,554 | 160,105,619 | 159,578,690 |
| Investment in Joint Venture | 0 | 0 | 6,123,839 | 7,825,257 | 6,123,839 | 7,825,257 |
| Total Assets | <u>71,986,024</u> | <u>71,645,306</u> | <u>165,173,213</u> | <u>160,736,074</u> | <u>237,159,237</u> | <u>232,381,380</u> |
| <u>Deferred Outflows of Resources</u> | | | | | | |
| Pension | 3,108,316 | 1,941,097 | 958,748 | 646,903 | 4,067,064 | 2,588,000 |
| Other Amounts | 232,697 | 234,255 | 129,777 | 130,989 | 362,474 | 365,244 |
| Total Deferred Outflows of Resources | <u>3,341,013</u> | <u>2,175,352</u> | <u>1,088,525</u> | <u>777,892</u> | <u>4,429,538</u> | <u>2,953,244</u> |
| <u>Liabilities</u> | | | | | | |
| Current and Other Liabilities | 2,538,966 | 2,435,316 | 6,467,234 | 6,496,945 | 9,006,200 | 8,932,261 |
| Long-Term Liabilities | | | | | | |
| Pension | 21,629,920 | 20,510,436 | 5,303,258 | 5,183,473 | 26,933,178 | 25,693,909 |
| Other Amounts | 28,558,355 | 29,851,182 | 6,295,824 | 7,959,400 | 34,854,179 | 37,810,582 |
| Total Liabilities | <u>52,727,241</u> | <u>52,796,934</u> | <u>18,066,316</u> | <u>19,639,818</u> | <u>70,793,557</u> | <u>72,436,752</u> |
| <u>Deferred Inflows of Resources</u> | | | | | | |
| Pension | 82,621 | 0 | 93,167 | 0 | 175,788 | 0 |
| Other Amounts | 2,325,096 | 2,326,448 | 2,325,049 | 3,069,311 | 4,650,145 | 5,395,759 |
| Total Deferred Inflows of Resources | <u>2,407,717</u> | <u>2,326,448</u> | <u>2,418,216</u> | <u>3,069,311</u> | <u>4,825,933</u> | <u>5,395,759</u> |
| <u>Net Position</u> | | | | | | |
| Net Investment in Capital Assets | 36,102,708 | 35,974,391 | 109,033,143 | 107,289,543 | 145,135,851 | 143,263,934 |
| Restricted | 14,093,978 | 13,439,365 | 0 | 0 | 14,093,978 | 13,439,365 |
| Unrestricted (Deficit) | (30,004,607) | (30,716,480) | 36,744,063 | 31,515,294 | 6,739,456 | 798,814 |
| Total Net Position | <u>\$20,192,079</u> | <u>\$18,697,276</u> | <u>\$145,777,206</u> | <u>\$138,804,837</u> | <u>\$165,969,285</u> | <u>\$157,502,113</u> |

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

During 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the City's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the City. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

As a result of implementing GASB Statement No. 68, the City is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$180,608,022 to \$157,502,113.

Although the increase in net position for governmental activities was 8 percent, the above table reflects few changes of significance from the prior year (aside from the pension effects of implementing GASB Statement No. 68). The only significant change was the increase in current and other assets and unrestricted net position. This was primarily due to an increase in cash and cash equivalents and largely the result of an increase in income tax revenue as the economy of the area continues to improve. For 2015, revenues for governmental activities increased \$1.2 million while expenses only increased approximately \$151,000. The other change of note was the decrease in other long-term liabilities due to scheduled retirement of debt.

The change in net position for business-type activities was 5 percent. The increase in current and other assets was due to \$4.6 million in prepaid electricity. The decrease in other long-term liabilities due to scheduled debt retirement.

Table 2 reflects the change in net position for 2015 and 2014.

Table 2
Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$4,034,964 | \$4,026,547 | \$64,635,704 | \$59,941,131 | \$68,670,668 | \$63,967,678 |
| Operating Grants, Contributions, and Interest | 1,968,697 | 1,995,969 | 0 | 0 | 1,968,697 | 1,995,969 |
| Capital Grants and Contributions | 1,465,263 | 804,536 | 290,941 | 0 | 1,756,204 | 804,536 |
| Total Program Revenues | 7,468,924 | 6,827,052 | 64,926,645 | 59,941,131 | 72,395,569 | 66,768,183 |
| General Revenues | | | | | | |
| Property Taxes-General Purposes | 1,500,063 | 1,439,755 | 0 | 0 | 1,500,063 | 1,439,755 |
| Property Taxes-Playground and Recreation | 831,257 | 799,895 | 0 | 0 | 831,257 | 799,895 |
| Municipal Income Taxes | 19,026,196 | 18,369,611 | 0 | 0 | 19,026,196 | 18,369,611 |
| Other Local Taxes | 1,933,949 | 1,909,352 | 0 | 0 | 1,933,949 | 1,909,352 |
| Grants and Entitlements not Restricted to Specific Programs | 874,126 | 808,621 | 0 | 0 | 874,126 | 808,621 |
| Franchise Taxes | 282,003 | 297,155 | 0 | 0 | 282,003 | 297,155 |
| Interest | 364,743 | 292,599 | 13 | 822 | 364,756 | 293,421 |
| Other | 176,226 | 546,596 | 630,152 | 740,931 | 806,378 | 1,287,527 |
| Total General Revenues | 24,988,563 | 24,463,584 | 630,165 | 741,753 | 25,618,728 | 25,205,337 |
| Total Revenues | 32,457,487 | 31,290,636 | 65,556,810 | 60,682,884 | 98,014,297 | 91,973,520 |

(continued)

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Table 2
Change in Net Position
(continued)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| <u>Program Expenses</u> | | | | | | |
| Security of Persons and Property | | | | | | |
| Police | \$5,793,100 | \$5,710,744 | \$0 | \$0 | \$5,793,100 | \$5,710,744 |
| Fire/Ambulance | 6,115,860 | 5,858,334 | 0 | 0 | 6,115,860 | 5,858,334 |
| Public Health | 75,996 | 75,035 | 0 | 0 | 75,996 | 75,035 |
| Leisure Time Activities | 2,441,702 | 2,466,841 | 0 | 0 | 2,441,702 | 2,466,841 |
| Community Environment | 898,650 | 919,769 | 0 | 0 | 898,650 | 919,769 |
| Basic Utility Services | 660,101 | 707,657 | 0 | 0 | 660,101 | 707,657 |
| Transportation | 6,303,489 | 6,098,285 | 0 | 0 | 6,303,489 | 6,098,285 |
| General Government | | | | | | |
| Court | 1,615,273 | 1,581,724 | 0 | 0 | 1,615,273 | 1,581,724 |
| Other | 3,657,787 | 4,015,446 | 0 | 0 | 3,657,787 | 4,015,446 |
| Internal Service Fund External Portion | 24,622 | 21,349 | 0 | 0 | 24,622 | 21,349 |
| Interest and Fiscal Charges | 767,993 | 748,540 | 0 | 0 | 767,993 | 748,540 |
| Electric | 0 | 0 | 51,845,594 | 50,608,894 | 51,845,594 | 50,608,894 |
| Water | 0 | 0 | 4,698,628 | 5,859,410 | 4,698,628 | 5,859,410 |
| Sewer | 0 | 0 | 4,648,330 | 5,598,401 | 4,648,330 | 5,598,401 |
| Total Expenses | <u>28,354,573</u> | <u>28,203,724</u> | <u>61,192,552</u> | <u>62,066,705</u> | <u>89,547,125</u> | <u>90,270,429</u> |
| Increase (Decrease) in Net Position | | | | | | |
| Before Transfers | 4,102,914 | 3,086,912 | 4,364,258 | (1,383,821) | 8,467,172 | 1,703,091 |
| Transfers | <u>(2,608,111)</u> | <u>(2,804,937)</u> | <u>2,608,111</u> | <u>2,804,937</u> | <u>0</u> | <u>0</u> |
| Increase in Net Position | 1,494,803 | 281,975 | 6,972,369 | 1,421,116 | 8,467,172 | 1,703,091 |
| Net Position Beginning of Year | <u>18,697,276</u> | n/a | <u>138,804,837</u> | n/a | <u>157,502,113</u> | n/a |
| Net Position End of Year | <u>\$20,192,079</u> | <u>\$18,697,276</u> | <u>\$145,777,206</u> | <u>\$138,804,837</u> | <u>\$165,969,285</u> | <u>\$157,502,113</u> |

The information necessary to restate the 2014 beginning balance and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,588,000 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, 2015 statements report pension expense of \$2,739,620. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed.

| | |
|---|---------------------|
| Total 2015 Program Expenses under GASB Statement No. 68 | \$89,547,125 |
| Pension Expense under GASB Statement No. 68 | (2,739,620) |
| 2015 Contractually Required Contribution | <u>2,803,627</u> |
| Adjusted 2015 Program Expenses | 89,611,132 |
| Total 2014 Program Expenses under GASB Statement No. 27 | <u>(90,270,429)</u> |
| Increase in Program Expenses not Related to Pension | <u>(\$659,297)</u> |

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

For governmental activities, the increase in program revenues for 2015 was largely due to resources received from the Ohio Department of Transportation for street projects. The most significant change for general revenues was an increase in municipal income taxes as the economy continues its rebound. The overall change in expenses was not significant.

As expected, program revenues make up a significant portion of the total revenues for business-type activities (99 percent). The increase in charges for services was due to an increase in the electric utility; as purchase of power costs increase so must charges for services revenue increase to offset that cost. Charges for services for the water and sewer utilities were similar to the prior year. The increase in expenses for the electric utility was due to an increase in purchase of power costs (the City does not generate its own electricity; it purchases it on the open market). Expenses decreased in both the water and sewer utilities primarily due to a reduction in plant operation costs.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

| | Total Cost of Services | | Net Cost of Services | |
|--|---------------------------|---------------------|-------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Security of Persons and Property | | | | |
| Police | \$5,793,100 | \$5,710,744 | \$5,492,047 | \$5,381,272 |
| Fire/Ambulance | 6,115,860 | 5,858,334 | 5,529,013 | 5,293,146 |
| Public Health | 75,996 | 75,035 | 30,126 | 35,938 |
| Leisure Time Activities | 2,441,702 | 2,466,841 | 1,411,463 | 1,349,510 |
| Community Environment | 898,650 | 919,769 | 586,160 | 606,439 |
| Basic Utility Services | 660,101 | 707,657 | 526,405 | 511,576 |
| Transportation | 6,303,489 | 6,098,285 | 2,949,666 | 3,516,711 |
| General Government | | | | |
| Court | 1,615,273 | 1,581,724 | 274,128 | 163,324 |
| Other | 3,657,787 | 4,015,446 | 3,323,884 | 3,769,660 |
| Internal Service Fund External Portion | 24,622 | 21,349 | (5,236) | 556 |
| Interest and Fiscal Charges | 767,993 | 748,540 | 767,993 | 748,540 |
| Total Expenses | <u>\$28,354,573</u> | <u>\$28,203,724</u> | <u>\$20,885,649</u> | <u>\$21,376,672</u> |

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

For 2015, general revenues provided for 74 percent of the costs of providing governmental activities services (2 percent change from 2014). Note that general revenues provide for most of the costs of providing police, fire, and ambulance services (93 percent paid from general revenues). The programs receiving significant support through program revenues in 2015 included the leisure time activities, community environment, transportation, and general government - court programs. The leisure time activities program is supported through admission and sports fees, rentals, and concession charges. The community environment program receives grant resources through the Ohio Department of Development for neighborhood stabilization efforts. The transportation program receives charges for services in the form of permissive motor vehicle license monies and operating grants in the form of State levied motor vehicle license fees and gas taxes. The municipal court receives substantial support through fines, costs, and fees as well as some support through grant resources.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Playground and Recreation special revenue fund, and the Sewer and Water Capital Improvement capital projects fund. For 2015, the General Fund had a 8 percent increase in fund balance. There was a modest 3 percent increase in revenues and expenditures were very similar to the prior year.

The Playground and Recreation Fund had a decrease in fund balance of \$25,045 which was not significant.

The Sewer and Water Capital Improvement Fund had an increase in fund balance of \$1,277,217. There was an increase in revenues, primarily municipal incomes taxes as discussed earlier and an 14 percent decrease in expenditures based on the improvement projects undertaken during the year.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, and Sewer funds. A review of the statement of revenues, expenses, and change in fund net position reveals an operating income for the Electric and Water funds, while the Sewer Fund had operating loss again in 2015.

The increase in net position was 11 percent in the Electric Fund. There was an increase in expenses due to an increase in purchased power costs; however, this was more than offset with an increase in charges for services.

There was a \$1.7 million increase in net position in the Water Fund due primarily to a contribution of capital assets of \$1.6 million as well as a decrease in plant operation costs.

Despite an operating loss in the Sewer Fund, there was a very modest increase (less than 1 percent) in net position due to the contribution of capital assets from governmental funds.

When considering the Water and Sewer funds, the one-half percent income tax that contributes to various water and sewer improvements must also be taken into account. During 2015, capital asset contributions from the Sewer and Water Improvement capital projects fund were \$1,515,597 in the Water Fund and \$883,040 in the Sewer Fund.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is passed by City Council by January 1 of each year. The City has been adopting a permanent appropriations ordinance prior to the start of a new year since 1999.

The City's most significant budgeted fund is the General Fund. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same is true for expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2015, was \$36,102,708 and \$109,033,143, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; buildings; equipment; vehicles; streets; and electric, water, and sewer lines. Additions to governmental capital assets for 2015 consisted primarily of street construction, police cruisers, a van, a salt spreader, and a street sweeper. The most significant additions for business-type activities were the purchase of land, construction for the water tower replacement, and electric, water, and sewer lines. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2015, the City had \$600,000 in outstanding bond anticipation notes, \$9,610,000 in general obligation bonds, and \$17,129,642 in OWDA loans payable from governmental activities. Business-type activities had \$2,235,000 in bond anticipation notes and \$2,730,000 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$1,471,186, as part of the City's agreement as a participant in the Ohio Municipal Electric Generation Agency Joint Venture 2, to pay debt issued by AMP-Ohio to acquire capital assets for the joint venture, and \$967,090 related to the City's obligation related to the AMPGS project which was terminated.

As well as the debt outlined above, the City's long-term obligations also include the net pension liability, compensated absences, and capital leases. For further information regarding the City's debt, refer to Notes 18, 19, and 20 to the basic financial statements.

CURRENT ISSUES

With the appointment of Lori Tretter as Municipal Administrator in July 2015, the position of Assistant Municipal Administrator remained vacant until the end of December 2015 when Joe Fawcett was hired. Joe Fawcett came to this position from having served as Assistant County Administrator in Wood County for the past four years (Bowling Green is the county seat for Wood County). Joe also served our country with six years of active military duty and nine years in the reserves. Along with his administrative experience, he brings his experience in incident response, emergency operations, and disaster planning to the City.

On the heels of the future land use plan passed in 2014, City Council and the City administration will embark on a housing market study and a neighborhood revitalization plan in 2016. The purpose of the study is to gauge the housing stock in the City and determine a plan for areas that need attention.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The park and recreation department will be going to voters in November for a new five-year 2 mill park levy. This new levy will replace the expired three-year 1.4 mill levy that ended in 2015 (with payment in 2016).

The City will begin design work in cooperation with the Ohio Department of Transportation in anticipation of the construction of two "roundabouts" at the interchange of I-75 and East Wooster Street. Construction is scheduled to begin sometime in 2017. The City will also be seeking input on a possible redesign of East Wooster Street, also known as the East Wooster corridor.

In cooperation with American Municipal Power (AMP), Bowling Green has elected to participate in a joint venture solar electric generation field to be built in Bowling Green. The joint venture is a 20 megawatt project and Bowling Green has agreed to utilize up to 13.74 megawatts of that capacity.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brian Bushong, Finance Director, 304 North Church Street, Bowling Green, Ohio 43402.

City of Bowling Green
Statement of Net Position
December 31, 2015

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| <u>Assets</u> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$16,712,002 | \$31,603,689 | \$48,315,691 |
| Cash and Cash Equivalents in Segregated Accounts | 4,054 | 0 | 4,054 |
| Accounts Receivable | 667,003 | 6,544,379 | 7,211,382 |
| Accrued Interest Receivable | 66,256 | 0 | 66,256 |
| Due from Other Governments | 1,047,282 | 18,065 | 1,065,347 |
| Municipal Income Taxes Receivable | 3,752,538 | 0 | 3,752,538 |
| Other Local Taxes Receivable | 63,018 | 109,726 | 172,744 |
| Internal Balances | 112,829 | (112,829) | 0 |
| Prepaid Items | 79,571 | 4,704,603 | 4,784,174 |
| Materials and Supplies Inventory | 0 | 1,346,285 | 1,346,285 |
| Property Taxes Receivable | 2,346,965 | 0 | 2,346,965 |
| Notes Receivable | 612,196 | 0 | 612,196 |
| Special Assessments Receivable | 285,057 | 0 | 285,057 |
| Recovered Purchased Power Receivable | 0 | 967,090 | 967,090 |
| Nondepreciable Capital Assets | 5,234,039 | 9,753,139 | 14,987,178 |
| Depreciable Capital Assets, Net | 41,003,214 | 104,115,227 | 145,118,441 |
| Investment in Joint Venture | 0 | 6,123,839 | 6,123,839 |
| Total Assets | 71,986,024 | 165,173,213 | 237,159,237 |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred Charge on Refunding Pension | 232,697 | 129,777 | 362,474 |
| | 3,108,316 | 958,748 | 4,067,064 |
| Total Deferred Outflows of Resources | 3,341,013 | 1,088,525 | 4,429,538 |
| <u>Liabilities</u> | | | |
| Accrued Wages Payable | 494,978 | 203,173 | 698,151 |
| Accounts Payable | 733,182 | 3,803,404 | 4,536,586 |
| Contracts Payable | 267,075 | 53,235 | 320,310 |
| Due to Other Governments | 417,639 | 164,080 | 581,719 |
| Accrued Interest Payable | 22,372 | 8,342 | 30,714 |
| Notes Payable | 600,000 | 2,235,000 | 2,835,000 |
| Retainage Payable | 3,720 | 0 | 3,720 |
| Long-Term Liabilities | | | |
| Due Within One Year | 2,457,601 | 1,587,554 | 4,045,155 |
| Due in More Than One Year | | | |
| Net Pension Liability | 21,629,920 | 5,303,258 | 26,933,178 |
| Other Amounts Due in More Than One Year | 26,100,754 | 4,708,270 | 30,809,024 |
| Total Liabilities | 52,727,241 | 18,066,316 | 70,793,557 |
| <u>Deferred Inflows of Resources</u> | | | |
| Property Taxes | 2,325,096 | 0 | 2,325,096 |
| Recovered Purchased Power | 0 | 2,325,049 | 2,325,049 |
| Pension | 82,621 | 93,167 | 175,788 |
| Total Deferred Inflows of Resources | 2,407,717 | 2,418,216 | 4,825,933 |
| <u>Net Position</u> | | | |
| Net Investment in Capital Assets | 36,102,708 | 109,033,143 | 145,135,851 |
| Restricted for | | | |
| Debt Service | 337,050 | 0 | 337,050 |
| Capital Projects | 9,093,713 | 0 | 9,093,713 |
| Street Maintenance and Repair | 1,121,806 | 0 | 1,121,806 |
| Community Development | 775,518 | 0 | 775,518 |
| Security of Persons and Property - Police | 605,597 | 0 | 605,597 |
| Security of Persons and Property - Fire | 906,604 | 0 | 906,604 |
| Other Purposes | 1,253,690 | 0 | 1,253,690 |
| Unrestricted (Deficit) | (30,004,607) | 36,744,063 | 6,739,456 |
| Total Net Position | \$20,192,079 | \$145,777,206 | \$165,969,285 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Activities
For the Year Ended December 31, 2015

| | Program Revenues | | | |
|---------------------------------------|---------------------|-------------------------|---|-------------------------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions, and Interest | Capital Grants and Contributions |
| <u>Governmental Activities</u> | | | | |
| Security of Persons and Property | | | | |
| Police | \$5,793,100 | \$246,102 | \$47,760 | \$7,191 |
| Fire/Ambulance | 6,115,860 | 586,847 | 0 | 0 |
| Public Health | 75,996 | 45,870 | 0 | 0 |
| Leisure Time Activities | 2,441,702 | 930,073 | 74,575 | 25,591 |
| Community Environment | 898,650 | 25,958 | 286,532 | 0 |
| Basic Utility Services | 660,101 | 3,685 | 0 | 130,011 |
| Transportation | 6,303,489 | 748,386 | 1,302,967 | 1,302,470 |
| General Government | | | | |
| Court | 1,615,273 | 1,159,268 | 181,877 | 0 |
| Other | 3,657,787 | 258,917 | 74,986 | 0 |
| Internal Service Fund | | | | |
| External Portion | 24,622 | 29,858 | 0 | 0 |
| Interest and Fiscal Charges | 767,993 | 0 | 0 | 0 |
| Total Governmental Activities | 28,354,573 | 4,034,964 | 1,968,697 | 1,465,263 |
| <u>Business-Type Activities</u> | | | | |
| Electric | 51,845,594 | 56,311,306 | 0 | 0 |
| Water | 4,698,628 | 4,677,639 | 0 | 112,445 |
| Sewer | 4,648,330 | 3,646,759 | 0 | 178,496 |
| Total Business-Type Activities | 61,192,552 | 64,635,704 | 0 | 290,941 |
| Total | \$89,547,125 | \$68,670,668 | \$1,968,697 | \$1,756,204 |

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Playground and Recreation
Municipal Income Taxes Levied for General Purposes
Municipal Income Taxes Levied for Playground and Recreation
Municipal Income Taxes Levied for Police and Fire
Municipal Income Taxes Levied for Sewer and Water Improvement
Municipal Income Taxes Levied for Capital Improvements
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (Note 3)

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| (\$5,492,047) | \$0 | (\$5,492,047) |
| (5,529,013) | 0 | (5,529,013) |
| (30,126) | 0 | (30,126) |
| (1,411,463) | 0 | (1,411,463) |
| (586,160) | 0 | (586,160) |
| (526,405) | 0 | (526,405) |
| (2,949,666) | 0 | (2,949,666) |
| (274,128) | 0 | (274,128) |
| (3,323,884) | 0 | (3,323,884) |
| 5,236 | 0 | 5,236 |
| (767,993) | 0 | (767,993) |
| <u>(20,885,649)</u> | <u>0</u> | <u>(20,885,649)</u> |
| 0 | 4,465,712 | 4,465,712 |
| 0 | 91,456 | 91,456 |
| 0 | (823,075) | (823,075) |
| <u>0</u> | <u>3,734,093</u> | <u>3,734,093</u> |
| <u>(20,885,649)</u> | <u>3,734,093</u> | <u>(17,151,556)</u> |
| 1,500,063 | 0 | 1,500,063 |
| 831,257 | 0 | 831,257 |
| 7,134,824 | 0 | 7,134,824 |
| 475,654 | 0 | 475,654 |
| 4,756,549 | 0 | 4,756,549 |
| 4,756,549 | 0 | 4,756,549 |
| 1,902,620 | 0 | 1,902,620 |
| 1,933,949 | 0 | 1,933,949 |
| 874,126 | 0 | 874,126 |
| 282,003 | 0 | 282,003 |
| 364,743 | 13 | 364,756 |
| 176,226 | 630,152 | 806,378 |
| 24,988,563 | 630,165 | 25,618,728 |
| (2,608,111) | 2,608,111 | 0 |
| <u>22,380,452</u> | <u>3,238,276</u> | <u>25,618,728</u> |
| 1,494,803 | 6,972,369 | 8,467,172 |
| 18,697,276 | 138,804,837 | 157,502,113 |
| <u>\$20,192,079</u> | <u>\$145,777,206</u> | <u>\$165,969,285</u> |

City of Bowling Green
Balance Sheet
Governmental Funds
December 31, 2015

| | General | Playground and Recreation | Sewer and Water Capital Improvement | Other Governmental | Total Governmental Funds |
|---|--------------------|---------------------------------|---|-----------------------|--------------------------------|
| <u>Assets</u> | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$4,298,218 | \$448,917 | \$6,136,986 | \$5,795,686 | \$16,679,807 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 0 | 0 | 4,054 | 4,054 |
| Accounts Receivable | 638,556 | 0 | 0 | 0 | 638,556 |
| Accrued Interest Receivable | 66,256 | 0 | 0 | 0 | 66,256 |
| Due from Other Governments | 498,739 | 29,391 | 0 | 517,317 | 1,045,447 |
| Municipal Income Taxes Receivable | 1,407,202 | 93,813 | 938,134 | 1,313,389 | 3,752,538 |
| Other Local Taxes Receivable | 48,373 | 0 | 0 | 14,645 | 63,018 |
| Interfund Receivable | 109,726 | 0 | 0 | 275,000 | 384,726 |
| Prepaid Items | 79,571 | 0 | 0 | 0 | 79,571 |
| Restricted Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 8,461 | 0 | 0 | 0 | 8,461 |
| Property Taxes Receivable | 1,510,234 | 585,711 | 0 | 251,020 | 2,346,965 |
| Notes Receivable | 0 | 0 | 0 | 612,196 | 612,196 |
| Special Assessments Receivable | 0 | 0 | 0 | 285,057 | 285,057 |
| Total Assets | \$8,665,336 | \$1,157,832 | \$7,075,120 | \$9,068,364 | \$25,966,652 |
| <u>Liabilities and Fund Balance</u> | | | | | |
| <u>Liabilities</u> | | | | | |
| Accrued Wages Payable | \$305,802 | \$27,966 | \$0 | \$157,590 | \$491,358 |
| Accounts Payable | 494,109 | 39,049 | 62,388 | 136,375 | 731,921 |
| Contracts Payable | 10,078 | 0 | 176,428 | 80,569 | 267,075 |
| Due to Other Governments | 257,878 | 72,633 | 1,032 | 84,295 | 415,838 |
| Accrued Interest Payable | 984 | 0 | 0 | 0 | 984 |
| Interfund Payable | 4,113 | 205 | 15,943 | 284,147 | 304,408 |
| Notes Payable | 600,000 | 0 | 0 | 0 | 600,000 |
| Retainage Payable | 0 | 3,720 | 0 | 0 | 3,720 |
| Total Liabilities | 1,672,964 | 143,573 | 255,791 | 742,976 | 2,815,304 |
| <u>Deferred Inflows of Resources</u> | | | | | |
| Property Taxes | 1,496,169 | 580,248 | 0 | 248,679 | 2,325,096 |
| Unavailable Revenue | 1,762,304 | 82,625 | 477,719 | 1,344,117 | 3,666,765 |
| Total Deferred Inflows of Resources | 3,258,473 | 662,873 | 477,719 | 1,592,796 | 5,991,861 |
| <u>Fund Balance</u> | | | | | |
| Nonspendable | 88,032 | 0 | 0 | 0 | 88,032 |
| Restricted | 0 | 351,386 | 6,341,610 | 6,063,234 | 12,756,230 |
| Committed | 223,942 | 0 | 0 | 815,164 | 1,039,106 |
| Assigned | 517,684 | 0 | 0 | 125,525 | 643,209 |
| Unassigned (Deficit) | 2,904,241 | 0 | 0 | (271,331) | 2,632,910 |
| Total Fund Balance | 3,733,899 | 351,386 | 6,341,610 | 6,732,592 | 17,159,487 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$8,665,336 | \$1,157,832 | \$7,075,120 | \$9,068,364 | \$25,966,652 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
December 31, 2015

| | | |
|---|--------------|--------------|
| Total Governmental Fund Balance | | \$17,159,487 |
| <p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p> | | |
| Governmental Activities | 46,237,253 | |
| Internal Service Fund | (19,986) | |
| | | 46,217,267 |
| <p>Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.</p> | | |
| | | 232,697 |
| <p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p> | | |
| Accounts Receivable | 587,283 | |
| Accrued Interest Receivable | 54,668 | |
| Due from Other Governments | 790,114 | |
| Municipal Income Taxes Receivable | 1,910,876 | |
| Other Local Taxes Receivable | 16,898 | |
| Delinquent Property Taxes Receivable | 21,869 | |
| Special Assessments Receivable | 285,057 | |
| | | 3,666,765 |
| <p>An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.</p> | | |
| | | 7,385 |
| <p>The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.</p> | | |
| Deferred Outflows - Pension | 3,108,316 | |
| Deferred Outflows - Pension - Internal Service Fund | (18,090) | |
| Deferred Inflows - Pension | (82,621) | |
| Deferred Inflows - Pension - Internal Service Fund | 1,758 | |
| Net Pension Liability | (21,629,920) | |
| Net Pension Liability - Internal Service Fund | 100,061 | |
| | | (18,520,496) |
| <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p> | | |
| Accrued Interest Payable | (21,388) | |
| General Obligation Bonds Payable | (9,610,000) | |
| OWDA Loans Payable | (17,129,642) | |
| Compensated Absences Payable | (1,661,471) | |
| Compensated Absences Payable - Internal Service Fund | 9,289 | |
| Capital Leases Payable | (157,242) | |
| | | (28,570,454) |
| <p>An internal service fund is used by management to charge the cost of engineering services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.</p> | | |
| | | (572) |
| Net Position of Governmental Activities | | \$20,192,079 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2015

| | General | Playground and Recreation | Sewer and Water Capital Improvement | Other Governmental | Total Governmental Funds |
|---|--------------------|---------------------------------|---|-----------------------|--------------------------------|
| <u>Revenues</u> | | | | | |
| Property Taxes | \$1,492,699 | \$579,036 | \$0 | \$248,163 | \$2,319,898 |
| Municipal Income Taxes | 7,158,136 | 477,209 | 4,772,091 | 6,680,925 | 19,088,361 |
| Other Local Taxes | 2,215,433 | 0 | 0 | 183,410 | 2,398,843 |
| Special Assessments | 0 | 0 | 0 | 51,276 | 51,276 |
| Charges for Services | 1,901,552 | 930,029 | 0 | 194,343 | 3,025,924 |
| Fees, Licenses, and Permits | 54,517 | 0 | 10,350 | 11,472 | 76,339 |
| Fines and Forfeitures | 483,981 | 44 | 0 | 249,576 | 733,601 |
| Intergovernmental | 1,160,186 | 74,674 | 119,661 | 2,760,333 | 4,114,854 |
| Interest | 377,772 | 0 | 0 | 16,571 | 394,343 |
| Other | 84,194 | 67,408 | 0 | 24,624 | 176,226 |
| Total Revenues | 14,928,470 | 2,128,400 | 4,902,102 | 10,420,693 | 32,379,665 |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| Security of Persons and Property | | | | | |
| Police | 4,192,797 | 0 | 0 | 1,411,888 | 5,604,685 |
| Fire | 2,419,886 | 0 | 0 | 3,204,940 | 5,624,826 |
| Ambulance | 121,443 | 0 | 0 | 0 | 121,443 |
| Public Health | 70,095 | 0 | 0 | 4,198 | 74,293 |
| Leisure Time Activities | 1,838 | 2,134,136 | 0 | 0 | 2,135,974 |
| Community Environment | 623,627 | 0 | 0 | 271,377 | 895,004 |
| Basic Utility Services | 658,191 | 0 | 0 | 0 | 658,191 |
| Transportation | 2,288,883 | 0 | 0 | 3,730,023 | 6,018,906 |
| General Government | | | | | |
| Court | 1,310,974 | 0 | 0 | 158,108 | 1,469,082 |
| Other | 3,031,537 | 19,309 | 193,090 | 287,151 | 3,531,087 |
| Capital Outlay | 0 | 0 | 2,380,620 | 725,742 | 3,106,362 |
| Debt Service | | | | | |
| Principal Retirement | 60,000 | 0 | 1,623,708 | 937,323 | 2,621,031 |
| Interest and Fiscal Charges | 5,327 | 0 | 472,311 | 291,957 | 769,595 |
| Total Expenditures | 14,784,598 | 2,153,445 | 4,669,729 | 11,022,707 | 32,630,479 |
| Excess of Revenues Over (Under) Expenditures | 143,872 | (25,045) | 232,373 | (602,014) | (250,814) |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Inception of Capital Lease | 0 | 0 | 0 | 199,565 | 199,565 |
| OWDA Loans Issued | 0 | 0 | 1,044,844 | 0 | 1,044,844 |
| Transfers In | 169,821 | 0 | 0 | 1,289,982 | 1,459,803 |
| Transfers Out | (42,840) | 0 | 0 | (1,416,963) | (1,459,803) |
| Total Other Financing Sources (Uses) | 126,981 | 0 | 1,044,844 | 72,584 | 1,244,409 |
| Change in Fund Balance | 270,853 | (25,045) | 1,277,217 | (529,430) | 993,595 |
| Fund Balance Beginning of Year | 3,463,046 | 376,431 | 5,064,393 | 7,262,022 | 16,165,892 |
| Fund Balance End of Year | <u>\$3,733,899</u> | <u>\$351,386</u> | <u>\$6,341,610</u> | <u>\$6,732,592</u> | <u>\$17,159,487</u> |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
 Reconciliation of Statement of Revenues, Expenditures,
 and Change in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2015

Change in Fund Balance - Total Governmental Funds \$993,595

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

| | | |
|--------------------------------------|--------------|-----------|
| Capital Outlay | 2,648,864 | |
| Capital Contributions | 195,605 | |
| Depreciation | (3,512,352) | |
| Depreciation - Internal Service Fund | <u>9,783</u> | (658,100) |

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

| | | |
|------------------------|-----------------|-----------|
| Property Taxes | 11,422 | |
| Municipal Income Taxes | (62,165) | |
| Other Local Taxes | 519 | |
| Special Assessments | (37,735) | |
| Charges for Services | (4,109) | |
| Intergovernmental | (29,294) | |
| Fines and Forfeitures | (13,250) | |
| Interest | <u>(13,029)</u> | (147,641) |

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

| | | |
|----------------------------------|---------------|-----------|
| General Obligation Bonds Payable | 955,000 | |
| OWDA Loans Payable | 1,623,708 | |
| Capital Leases Payable | <u>42,323</u> | 2,621,031 |

Loan proceeds are reported as other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position. (1,044,844)

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position. (199,565)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position. Accounting losses are amortized over the life of the debt on the statement of activities.

| | | |
|--|----------------|-------|
| Accrued Interest Payable | 3,160 | |
| Amortization of Deferred Charge on Refunding | <u>(1,558)</u> | 1,602 |

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|--|--------------|----------|
| Compensated Absences Payable | (83,795) | |
| Compensated Absences Payable - Internal Service Fund | <u>1,629</u> | (82,166) |

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.

| | | |
|---|---------------|-------------|
| Pension Expense | (2,162,732) | |
| Pension Expense - Internal Service Fund | <u>10,885</u> | (2,151,847) |

(continued)

City of Bowling Green
 Reconciliation of Statement of Revenues, Expenditures,
 and Change in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2015
 (continued)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.

| | | |
|--|-----------------|-----------|
| Contractually Required Contributions | \$2,127,846 | |
| Contractually Required Contributions - Internal Service Fund | <u>(12,751)</u> | 2,115,095 |

The internal service fund used by management to charge the cost of engineering services to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

42,407

The internal service fund used by management to charge the cost of engineering services to an external agency is reported on the statement of activities. The change for the external portion is reported for the year.

5,236

Change in Net Position of Governmental Activities

\$1,494,803

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|---|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Property Taxes | \$1,499,651 | \$1,499,651 | \$1,492,699 | (\$6,952) |
| Other Local Taxes | 2,094,475 | 2,094,475 | 2,241,519 | 147,044 |
| Charges for Services | 1,852,975 | 1,852,975 | 1,790,528 | (62,447) |
| Fees, Licenses, and Permits | 23,660 | 23,660 | 54,517 | 30,857 |
| Fines and Forfeitures | 437,500 | 437,500 | 388,395 | (49,105) |
| Intergovernmental | 1,066,899 | 1,062,078 | 1,092,660 | 30,582 |
| Interest | 365,000 | 365,000 | 401,831 | 36,831 |
| Other | 27,750 | 58,250 | 58,745 | 495 |
| Total Revenues | 7,367,910 | 7,393,589 | 7,520,894 | 127,305 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Security of Persons and Property | | | | |
| Police | 4,364,913 | 4,287,012 | 4,240,580 | 46,432 |
| Fire | 2,296,411 | 2,510,802 | 2,501,258 | 9,544 |
| Ambulance | 151,475 | 133,911 | 119,446 | 14,465 |
| Public Health | 75,210 | 75,209 | 70,666 | 4,543 |
| Community Environment | 646,805 | 652,685 | 625,932 | 26,753 |
| Basic Utility Services | 710,155 | 710,155 | 666,998 | 43,157 |
| Transportation | 2,528,985 | 2,485,870 | 2,420,256 | 65,614 |
| General Government | | | | |
| Court | 1,419,879 | 1,376,692 | 1,319,385 | 57,307 |
| Other | 2,504,129 | 2,543,296 | 2,444,703 | 98,593 |
| Total Expenditures | 14,697,962 | 14,775,632 | 14,409,224 | 366,408 |
| Excess of Revenues Under Expenditures | (7,330,052) | (7,382,043) | (6,888,330) | 493,713 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Other Financing Sources | 12,045 | 12,045 | 25,000 | 12,955 |
| Bond Anticipation Notes Issued | 200,000 | 200,000 | 200,000 | 0 |
| Transfers In | 6,854,054 | 6,858,875 | 6,858,875 | 0 |
| Transfers Out | (276,002) | (276,002) | (276,002) | 0 |
| Total Other Financing Sources (Uses) | 6,790,097 | 6,794,918 | 6,807,873 | 12,955 |
| Change in Fund Balance | (539,955) | (587,125) | (80,457) | 506,668 |
| Fund Balance Beginning of Year | 2,967,955 | 2,967,955 | 2,967,955 | 0 |
| Prior Year Encumbrances Appropriated | 284,777 | 284,777 | 284,777 | 0 |
| Fund Balance End of Year | \$2,712,777 | \$2,665,607 | \$3,172,275 | \$506,668 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Playground and Recreation Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|--|------------------|------------------|------------------|--|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Property Taxes | \$581,620 | \$581,620 | \$579,036 | (\$2,584) |
| Municipal Income Taxes | 468,650 | 468,650 | 472,405 | 3,755 |
| Charges for Services | 980,050 | 980,050 | 933,596 | (46,454) |
| Fines and Forfeitures | 0 | 0 | 44 | 44 |
| Intergovernmental | 76,979 | 76,979 | 74,674 | (2,305) |
| Other | 157,000 | 157,000 | 67,408 | (89,592) |
| Total Revenues | 2,264,299 | 2,264,299 | 2,127,163 | (137,136) |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Leisure Time Activities | 3,129,641 | 3,129,641 | 2,277,126 | 852,515 |
| General Government | | | | |
| Other | 23,355 | 23,355 | 21,195 | 2,160 |
| Total Expenditures | 3,152,996 | 3,152,996 | 2,298,321 | 854,675 |
| Excess of Revenues Under Expenditures | (888,697) | (888,697) | (171,158) | 717,539 |
| <u>Other Financing Sources</u> | | | | |
| Transfers In | 650,000 | 650,000 | 0 | (650,000) |
| Change in Fund Balance | (238,697) | (238,697) | (171,158) | 67,539 |
| Fund Balance Beginning of Year | 293,907 | 293,907 | 293,907 | 0 |
| Prior Year Encumbrances Appropriated | 242,299 | 242,299 | 242,299 | 0 |
| Fund Balance End of Year | \$297,509 | \$297,509 | \$365,048 | \$67,539 |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activity |
|---|--------------------------|-------------------|-------------------|------------------------------|-----------------------------|
| | Electric | Water | Sewer | | Internal Service Fund |
| <u>Assets</u> | | | | | |
| <u>Current Assets</u> | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$24,107,312 | \$4,982,444 | \$2,513,933 | \$31,603,689 | \$23,734 |
| Accounts Receivable | 5,672,315 | 416,989 | 455,075 | 6,544,379 | 28,447 |
| Due from Other Governments | 10,288 | 4,790 | 2,987 | 18,065 | 1,835 |
| Other Local Taxes Receivable | 109,726 | 0 | 0 | 109,726 | 0 |
| Interfund Receivable | 20,493 | 9,579 | 0 | 30,072 | 25,126 |
| Prepaid Items | 4,651,562 | 26,528 | 26,513 | 4,704,603 | 0 |
| Materials and Supplies Inventory | 1,225,776 | 120,509 | 0 | 1,346,285 | 0 |
| Total Current Assets | 35,797,472 | 5,560,839 | 2,998,508 | 44,356,819 | 79,142 |
| <u>Non-Current Assets</u> | | | | | |
| Recovered Purchased Power Receivable | 967,090 | 0 | 0 | 967,090 | 0 |
| Nondepreciable Capital Assets | 1,274,414 | 6,173,679 | 2,305,046 | 9,753,139 | 0 |
| Depreciable Capital Assets, Net | 19,245,619 | 40,076,584 | 44,793,024 | 104,115,227 | 19,986 |
| Investment in Joint Venture | 6,123,839 | 0 | 0 | 6,123,839 | 0 |
| Total Non-Current Assets | 27,610,962 | 46,250,263 | 47,098,070 | 120,959,295 | 19,986 |
| Total Assets | 63,408,434 | 51,811,102 | 50,096,578 | 165,316,114 | 99,128 |
| <u>Deferred Outflows of Resources</u> | | | | | |
| Deferred Charge on Refunding Pension | 0 | 28,789 | 100,988 | 129,777 | 0 |
| | 434,150 | 271,344 | 253,254 | 958,748 | 18,090 |
| Total Deferred Outflows of Resources | 434,150 | 300,133 | 354,242 | 1,088,525 | 18,090 |
| <u>Liabilities</u> | | | | | |
| <u>Current Liabilities</u> | | | | | |
| Accrued Wages Payable | 90,212 | 56,660 | 56,301 | 203,173 | 3,620 |
| Accounts Payable | 3,564,813 | 139,705 | 98,886 | 3,803,404 | 1,261 |
| Contracts Payable | 23,946 | 29,289 | 0 | 53,235 | 0 |
| Due to Other Governments | 66,931 | 40,149 | 57,000 | 164,080 | 1,801 |
| Interfund Payable | 110,224 | 3,058 | 22,234 | 135,516 | 0 |
| Accrued Interest Payable | 2,866 | 1,217 | 4,259 | 8,342 | 0 |
| Notes Payable | 2,235,000 | 0 | 0 | 2,235,000 | 0 |
| General Obligation Bonds Payable | 70,000 | 60,000 | 220,000 | 350,000 | 0 |
| Compensated Absences Payable | 212,619 | 124,404 | 117,290 | 454,313 | 6,275 |
| AMP Ohio Payable | 783,241 | 0 | 0 | 783,241 | 0 |
| Total Current Liabilities | 7,159,852 | 454,482 | 575,970 | 8,190,304 | 12,957 |
| <u>Non-Current Liabilities</u> | | | | | |
| General Obligation Bonds Payable | 0 | 530,000 | 1,850,000 | 2,380,000 | 0 |
| Compensated Absences Payable | 316,576 | 162,670 | 193,989 | 673,235 | 3,014 |
| AMP Ohio Payable | 1,655,035 | 0 | 0 | 1,655,035 | 0 |
| Net Pension Liability | 2,401,475 | 1,500,922 | 1,400,861 | 5,303,258 | 100,061 |
| Total Non-Current Liabilities | 4,373,086 | 2,193,592 | 3,444,850 | 10,011,528 | 103,075 |
| Total Liabilities | 11,532,938 | 2,648,074 | 4,020,820 | 18,201,832 | 116,032 |

(continued)

City of Bowling Green
Statement of Fund Net Position
Proprietary Funds
December 31, 2015
(continued)

| | <u>Business-Type Activities</u> | | | Total Enterprise Funds | <u>Governmental Activity Internal Service Fund</u> |
|--------------------------------------|---------------------------------|---------------------|---------------------|------------------------------|--|
| | <u>Electric</u> | <u>Water</u> | <u>Sewer</u> | | |
| <u>Deferred Inflows of Resources</u> | | | | | |
| Recovered Purchased Power | \$2,325,049 | \$0 | \$0 | \$2,325,049 | \$0 |
| Pension | 42,189 | 26,368 | 24,610 | 93,167 | 1,758 |
| Total Deferred Inflows of Resources | <u>2,367,238</u> | <u>26,368</u> | <u>24,610</u> | <u>2,418,216</u> | <u>1,758</u> |
| <u>Net Position</u> | | | | | |
| Net Investment in Capital Assets | 18,215,033 | 45,689,052 | 45,129,058 | 109,033,143 | 19,986 |
| Unrestricted | <u>31,727,375</u> | <u>3,747,741</u> | <u>1,276,332</u> | <u>36,751,448</u> | <u>(20,558)</u> |
| Total Net Position (Deficit) | <u>\$49,942,408</u> | <u>\$49,436,793</u> | <u>\$46,405,390</u> | 145,784,591 | <u>(\$572)</u> |

Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the balance of the internal service fund. (7,385)

Net position of business-type activities \$145,777,206

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenses,
and Change in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activity |
|---|--------------------------|---------------------|---------------------|------------------------------|-----------------------------|
| | Electric | Water | Sewer | | Internal Service Fund |
| <u>Operating Revenues</u> | | | | | |
| Charges for Services | \$54,741,470 | \$4,677,639 | \$3,646,759 | \$63,065,868 | \$297,189 |
| Other | 360,686 | 55,953 | 213,513 | 630,152 | 1,388 |
| Total Operating Revenues | <u>55,102,156</u> | <u>4,733,592</u> | <u>3,860,272</u> | <u>63,696,020</u> | <u>298,577</u> |
| <u>Operating Expenses</u> | | | | | |
| Purchased Power | 43,321,356 | 0 | 0 | 43,321,356 | 0 |
| Plant Operation | 0 | 1,568,217 | 1,332,947 | 2,901,164 | 0 |
| Geographical Information Systems | 102,105 | 32,769 | 35,054 | 169,928 | 0 |
| Distribution Operation | 1,984,657 | 1,104,680 | 991,465 | 4,080,802 | 0 |
| Administrative and General | 1,598,205 | 620,716 | 569,169 | 2,788,090 | 0 |
| Information and Technology | 184,801 | 61,417 | 61,453 | 307,671 | 0 |
| Depreciation | 1,357,664 | 1,295,463 | 1,600,882 | 4,254,009 | 9,783 |
| Other | 0 | 0 | 0 | 0 | 236,439 |
| Total Operating Expenses | <u>48,548,788</u> | <u>4,683,262</u> | <u>4,590,970</u> | <u>57,823,020</u> | <u>246,222</u> |
| Operating Income (Loss) | <u>6,553,368</u> | <u>50,330</u> | <u>(730,698)</u> | <u>5,873,000</u> | <u>52,355</u> |
| <u>Non-Operating Revenues (Expenses)</u> | | | | | |
| Excise Taxes | 1,569,836 | 0 | 0 | 1,569,836 | 0 |
| Excise Taxes Expense | (1,569,836) | 0 | 0 | (1,569,836) | 0 |
| Interest Revenue | 0 | 5 | 8 | 13 | 0 |
| Interest Expense | (26,165) | (17,015) | (59,810) | (102,990) | 0 |
| Investment in Joint Venture | (1,701,418) | 0 | 0 | (1,701,418) | 0 |
| Total Non-Operating Revenues (Expenses) | <u>(1,727,583)</u> | <u>(17,010)</u> | <u>(59,802)</u> | <u>(1,804,395)</u> | <u>0</u> |
| Income (Loss) before Contributions and Transfers | 4,825,785 | 33,320 | (790,500) | 4,068,605 | 52,355 |
| Capital Contributions | 209,474 | 1,628,042 | 1,061,536 | 2,899,052 | 0 |
| Transfers In | 0 | 37,355 | 0 | 37,355 | 0 |
| Transfers Out | (37,355) | 0 | 0 | (37,355) | 0 |
| Change in Net Position | 4,997,904 | 1,698,717 | 271,036 | 6,967,657 | 52,355 |
| Net Position (Deficit) Beginning of Year - Restated (Note 3) | <u>44,944,504</u> | <u>47,738,076</u> | <u>46,134,354</u> | <u>44,944,504</u> | <u>(52,927)</u> |
| Net Position (Deficit) End of Year | <u>\$49,942,408</u> | <u>\$49,436,793</u> | <u>\$46,405,390</u> | <u>\$49,942,408</u> | <u>(\$572)</u> |
| The change in net position reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund | | | | <u>4,712</u> | |
| Change in net position of business-type activities | | | | <u>\$6,972,369</u> | |

See Accompanying Notes to the Basic Financial Statement:

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activity |
|---|--------------------------|--------------------|--------------------|------------------------------|-----------------------------|
| | Electric | Water | Sewer | | Internal Service Fund |
| Increases (Decreases) in Cash and Cash Equivalents | | | | | |
| <u>Cash Flows from Operating Activities</u> | | | | | |
| Cash Received from Customers | \$53,732,910 | \$4,675,634 | \$3,607,253 | \$62,015,797 | \$0 |
| Cash Received from Transactions with Other Funds | 0 | 0 | 0 | 0 | 243,824 |
| Cash Payments for Purchased Power | (45,899,619) | 0 | 0 | (45,899,619) | 0 |
| Cash Payments for Plant Operation | 0 | (2,135,785) | (1,944,234) | (4,080,019) | 0 |
| Cash Payments for Geographical Information Systems | (99,220) | (31,748) | (34,284) | (165,252) | 0 |
| Cash Payments for Distribution Operation | (3,977,322) | (1,121,873) | (997,401) | (6,096,596) | 0 |
| Cash Payments for Administrative and General | (1,598,810) | (629,375) | (573,890) | (2,802,075) | 0 |
| Cash Payments for Information and Technology | (184,717) | (61,393) | (61,391) | (307,501) | 0 |
| Cash Received from Other Revenues | 360,686 | 55,953 | 213,513 | 630,152 | 1,388 |
| Cash Payments for Other Expenses | 0 | 0 | 0 | 0 | (244,690) |
| Net Cash Provided by Operating Activities | <u>2,333,908</u> | <u>751,413</u> | <u>209,566</u> | <u>3,294,887</u> | <u>522</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | | | |
| Cash Received from Excise Taxes | 1,569,836 | 0 | 0 | 1,569,836 | 0 |
| Cash Payments for Excise Tax Distribution Transfers Out | (1,569,836) | 0 | 0 | (1,569,836) | 0 |
| Net Cash Used for Noncapital Financing Activities | <u>(37,355)</u> | <u>0</u> | <u>0</u> | <u>(37,355)</u> | <u>0</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | | | |
| Principal Paid on Bond Anticipation Notes | (2,435,000) | 0 | 0 | (2,435,000) | 0 |
| Principal Paid on General Obligation Bonds | (70,000) | (60,000) | (220,000) | (350,000) | 0 |
| Interest Paid on Bond Anticipation Notes | (20,968) | 0 | 0 | (20,968) | 0 |
| Interest Paid on General Obligation Bonds | (5,600) | (16,900) | (59,613) | (82,113) | 0 |
| Bond Anticipation Notes Issued | 2,235,000 | 0 | 0 | 2,235,000 | 0 |
| Acquisition of Capital Assets | (974,883) | (1,380,589) | (156,942) | (2,512,414) | 0 |
| Net Cash Used for Capital and Related Financing Activities | <u>(1,271,451)</u> | <u>(1,457,489)</u> | <u>(436,555)</u> | <u>(3,165,495)</u> | <u>0</u> |
| <u>Cash Flows from Investing Activities</u> | | | | | |
| Interest | 0 | 5 | 8 | 13 | 0 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,025,102 | (706,071) | (226,981) | 92,050 | 522 |
| Cash and Cash Equivalents Beginning of Year | <u>23,082,210</u> | <u>5,688,515</u> | <u>2,740,914</u> | <u>31,511,639</u> | <u>23,212</u> |
| Cash and Cash Equivalents End of Year | <u>\$24,107,312</u> | <u>\$4,982,444</u> | <u>\$2,513,933</u> | <u>\$31,603,689</u> | <u>\$23,734</u> |

(continued)

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015
(continued)

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activity |
|--|--------------------------|------------------|------------------|------------------------------|-----------------------------|
| | Electric | Water | Sewer | | Internal Service Fund |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u> | | | | | |
| Operating Income (Loss) | \$6,553,368 | \$50,330 | (\$730,698) | \$5,873,000 | \$52,355 |
| <u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u> | | | | | |
| Depreciation | 1,357,664 | 1,295,463 | 1,600,882 | 4,254,009 | 9,783 |
| Changes in Assets and Liabilities: | | | | | |
| (Increase) Decrease in Accounts Receivable | (162,998) | 1,411 | (37,191) | (198,778) | (26,529) |
| Increase in Due from Other Governments | (4,705) | (4,790) | (2,315) | (11,810) | (1,710) |
| Decrease in Other Local Taxes Receivable | 25,814 | 0 | 0 | 25,814 | 0 |
| (Increase) Decrease in Interfund Receivable | (6,448) | 1,374 | 0 | (5,074) | (25,126) |
| Increase in Prepaid Items | (4,625,555) | (521) | (521) | (4,626,597) | 0 |
| Increase in Materials and Supplies Inventory | (54,750) | (7,635) | 0 | (62,385) | 0 |
| Decrease in Recovered Purchased Power Receivable | 50,957 | 0 | 0 | 50,957 | 0 |
| Increase in Accrued Wages Payable | 10,414 | 2,896 | 2,293 | 15,603 | 820 |
| Increase (Decrease) in Accounts Payable | 1,490,625 | (600,937) | (569,038) | 320,650 | (7,958) |
| Increase (Decrease) in Contracts Payable | (61,758) | 29,289 | (9,049) | (41,518) | 0 |
| Decrease in Due to Other Governments | (23,201) | (3,002) | (6,793) | (32,996) | (876) |
| Increase (Decrease) in Interfund Payable | (26,574) | 489 | 6,975 | (19,110) | 0 |
| Decrease in Unearned Revenue | (90,147) | 0 | 0 | (90,147) | 0 |
| Increase (Decrease) in Compensated Absences Payable | 14,203 | 15,035 | (18,857) | 10,381 | 1,629 |
| Decrease in AMP-Ohio Payable | (1,323,957) | 0 | 0 | (1,323,957) | 0 |
| Decrease in Recovered Purchased Power Payable | (744,262) | 0 | 0 | (744,262) | 0 |
| Decrease in Net Pension Liability | (44,273) | (27,671) | (25,825) | (97,769) | (1,845) |
| Decrease in Deferred Outflows - Pension | 18,957 | 11,848 | 11,058 | 41,863 | 790 |
| Decrease in Deferred Inflows - Pension | (19,466) | (12,166) | (11,355) | (42,987) | (811) |
| Net Cash Provided by Operating Activities | <u>\$2,333,908</u> | <u>\$751,413</u> | <u>\$209,566</u> | <u>\$3,294,887</u> | <u>\$522</u> |

Non-Cash Capital Financing Activities:

The Electric, Water, and Sewer enterprise funds received capital assets that were constructed in the City's governmental funds, in the amount of \$209,474, \$1,515,597, and \$883,040, respectively.

The Water and Sewer enterprise funds received a donation of capital assets from outside sources, in the amount of \$112,445 and \$178,496, respectively.

The Water enterprise fund received a donation of capital assets from the Electric enterprise fund, in the amount of \$37,355.

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2015

| | |
|--|-------------------------|
| <u>Assets</u> | |
| Cash and Cash Equivalents in Segregated Accounts | \$260,712 |
| Special Assessments Receivable | <u>94,943</u> |
| Total Assets | <u><u>\$355,655</u></u> |
| <u>Liabilities</u> | |
| Undistributed Assets | <u><u>\$355,655</u></u> |

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1 - DESCRIPTION OF THE CITY OF BOWLING GREEN AND THE REPORTING ENTITY

A. The City

The City of Bowling Green is a charter municipal corporation founded on November 9, 1855, with the charter adopted by the electors on October 31, 1972. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws of Ohio.

The City operates under a Mayor/Administrator/Council form of government. Services provided include police, fire, street maintenance, planning and zoning, parks and recreation, electric, water, sewer, and general administrative services.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Bowling Green consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Bowling Green, this includes all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. There were no component units of the City of Bowling Green in 2015.

The City participates in two insurance pools, three joint ventures, and a jointly governed organization. These organizations are the Buckeye Ohio Risk Management Agency (BORMA), the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5), the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6), and the Bowling Green Central Business Special Improvement District, Inc. (SID). These organizations are presented in Notes 23, 24, and 25 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bowling Green have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the City's accounting policies.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are reported in three categories: governmental, proprietary, and fiduciary.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Playground and Recreation Fund - The Playground and Recreation Fund accounts for charges for services, property taxes, and income taxes restricted to maintaining parks and playgrounds and to providing recreation activities for the citizens of the City.

Sewer and Water Capital Improvement Fund - The Sewer and Water Capital Improvement Fund accounts for municipal income taxes and debt proceeds that are restricted for various water and sewer improvements.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows. The City reports two types of proprietary funds, enterprise and internal service:

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Electric Fund - The Electric Fund accounts for the provision of electricity to residential and commercial users within the City.

Water Fund - The Water Fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer service to residential and commercial users within the City.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Service Fund - The internal service fund accounts for engineering services that are provided to the other departments of the City or to other governmental units.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2015. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for special assessments levied and paid to the Bowling Green Central Business Special Improvement District, Inc., monies collected from a fundraising project for the Bowling Green Central Business Special Improvement District, Inc., and fines and fees collected by the Bowling Green Municipal Court (excluding those due to the City of Bowling Green).

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its proprietary activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the City, deferred outflows of resources includes deferred charges on refundings and pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position and explained in Note 15 to the basic financial statements.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, recovered purchased power, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. Recovered purchased power represents recovered costs of a regulated business-type activity applicable to a future period. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental and proprietary fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenues including grants, municipal income taxes, other local taxes, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 19. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position and explained in Note 15 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Cash and cash equivalents that are held separately within departments of the City are recorded as “Cash and Cash Equivalents in Segregated Accounts”.

During 2015, the City invested in negotiable and nonnegotiable certificates of deposit, federal agency securities, commercial paper, and mutual funds. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price or current share price.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2015 was \$377,772, which includes \$343,169 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed when used. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unclaimed monies that have a legal restriction on their use are reported as restricted.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds. Capital assets used by the internal service fund are reported in both the governmental activities column on the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of fifteen thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|---|---|--|
| Land Improvements | 25 years | N/A |
| Buildings | 15-50 years | 15-50 years |
| Equipment | 1-20 years | 1-20 years |
| Vehicles | 3-10 years | 3-10 years |
| Streets | 15-40 years | N/A |
| Electric, Water, Sewer, and Storm Sewer Lines | N/A | 15-50 years |

K. Deferred Charge on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables.” Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances.”

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method for governmental fund types and the vesting method for proprietary fund types. For the governmental fund types, an accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City’s past experience of making termination payments. For proprietary fund types, the liability includes the employees who are eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at year end, taking into consideration any limits specified in the City’s termination policy.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, net pension liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, OWDA loans, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for maintenance of state highways, parks and recreation, cemetery maintenance, and various municipal court operations. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by City Council. Fund balance policy of City Council has authorized the Safety Director and the Service Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The City Council has also assigned fund balance to cover a gap between estimated resources and appropriations in the 2016 budget, amounts for payroll stabilization, and for debt retirement.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, water, and sewer services, and charges for engineering services in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

R. Capital Contributions

Capital contributions arise from contributions of capital assets from outside sources and from other funds.

S. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

U. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2015, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows and deferred inflows of resources, and pension expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported on December 31, 2014.

| | Electric | Water | Sewer | Internal Service |
|---|--------------|--------------|--------------|---------------------|
| Net Position at December 31, 2014 | \$46,998,800 | \$49,022,011 | \$47,332,693 | \$32,668 |
| Net Pension Liability | (2,347,233) | (1,467,021) | (1,369,219) | (97,801) |
| Deferred Outflows - Payment Subsequent to Measurement Date | 292,937 | 183,086 | 170,880 | 12,206 |
| Adjusted Net Position (Deficit) at December 31, 2014 | \$44,944,504 | \$47,738,076 | \$46,134,354 | (\$52,927) |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (continued)

The restatement had the following effect on net position.

| | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| Net Position at December 31, 2014 | \$37,258,912 | \$143,349,110 |
| Net Pension Liability | (20,510,436) | (5,183,473) |
| Deferred Outflows - Payment Subsequent to Measurement Date | 1,941,097 | 646,903 |
| Internal Balances | 7,703 | (7,703) |
| Restated Net Position at December 31, 2014 | \$18,697,276 | \$138,804,837 |

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred outflows or deferred inflows of resources as the information needed to generate these restatements was not available.

NOTE 4 - ACCOUNTABILITY

At December 31, 2015, the Aquatic Facility Capital Improvement capital projects fund had a deficit fund balance, in the amount of \$271,331, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and change in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund and the Playground and Recreation special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

Change in Fund Balance

| | General | Playground and Recreation |
|---|-------------|---------------------------------|
| GAAP Basis | \$270,853 | (\$25,045) |
| <u>Increases (Decreases) Due To</u> | | |
| Revenue Accruals: | | |
| Accrued 2014, Received in Cash 2015 | 1,002,487 | 41,238 |
| Accrued 2015, Not Yet Received in Cash | (1,020,613) | (46,042) |
| Expenditure Accruals: | | |
| Accrued 2014, Paid in Cash 2015 | (894,406) | (204,580) |
| Accrued 2015, Not Yet Paid in Cash | 1,072,964 | 143,573 |
| Cash Adjustments: | | |
| Unrecorded Activity 2014 | (27,698) | 3,567 |
| Unrecorded Activity 2015 | 38,601 | 0 |
| Prepaid Items | (1,565) | 0 |
| Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses into Financial Statement Fund Types | (28,463) | 0 |
| Bond Anticipation Notes Issued | 600,000 | 0 |
| Bond Anticipation Notes Retired | (600,000) | 0 |
| Encumbrances Outstanding at Year End (Budget Basis) | (492,617) | (83,869) |
| Budget Basis | (\$80,457) | (\$171,158) |

NOTE 6 - DEPOSITS AND INVESTMENTS

The City follows State statutes regarding its deposit and investment activity. State statutes classify monies held by the City into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,595,960 of the City's bank balance of \$14,168,212 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

At December 31, 2015, the City had the following investments:

| | <u>Fair Value</u> | <u>Maturity</u> |
|------------------------------------|-------------------|-----------------|
| Negotiable Certificates of Deposit | \$747,000 | 1/22/16 |
| Negotiable Certificates of Deposit | 248,032 | 6/6/16 |
| Negotiable Certificates of Deposit | 248,975 | 6/10/16 |
| Negotiable Certificates of Deposit | 1,242,797 | 11/28/16 |
| Negotiable Certificates of Deposit | 249,087 | 12/1/16 |
| Negotiable Certificates of Deposit | 248,392 | 12/5/16 |
| Negotiable Certificates of Deposit | 248,201 | 12/28/16 |
| Negotiable Certificates of Deposit | 247,194 | 10/16/17 |
| Negotiable Certificates of Deposit | 248,066 | 10/30/17 |
| Negotiable Certificates of Deposit | 247,015 | 11/6/17 |
| Negotiable Certificates of Deposit | 247,999 | 11/17/17 |
| Negotiable Certificates of Deposit | 247,944 | 4/26/18 |
| Negotiable Certificates of Deposit | 247,152 | 10/23/18 |
| Negotiable Certificates of Deposit | 247,038 | 10/29/18 |

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

| | <u>Fair Value</u> | <u>Maturity</u> |
|--|---------------------|-----------------|
| Negotiable Certificates of Deposit | \$248,089 | 10/30/18 |
| Negotiable Certificates of Deposit | 247,536 | 12/10/18 |
| Negotiable Certificates of Deposit | 740,781 | 11/26/19 |
| Negotiable Certificates of Deposit | 246,185 | 12/5/19 |
| Negotiable Certificates of Deposit | 246,748 | 8/12/20 |
| Negotiable Certificates of Deposit | 246,736 | 8/14/20 |
| Negotiable Certificates of Deposit | 245,772 | 10/2/20 |
| Federal Farm Credit Bank Notes | 1,001,310 | 7/29/19 |
| Federal Home Loan Bank Notes | 1,493,040 | 8/25/17 |
| Federal Home Loan Mortgage Corporation Notes | 2,008,300 | 6/29/17 |
| Federal Home Loan Mortgage Corporation Notes | 497,100 | 11/10/17 |
| Federal Home Loan Mortgage Corporation Notes | 1,626,531 | 8/17/18 |
| Federal Home Loan Mortgage Corporation Notes | 1,001,260 | 9/11/18 |
| Federal Home Loan Mortgage Corporation Notes | 1,492,920 | 10/29/18 |
| Federal Home Loan Mortgage Corporation Notes | 496,835 | 11/16/18 |
| Federal Home Loan Mortgage Corporation Notes | 1,500,330 | 6/10/19 |
| Federal Home Loan Mortgage Corporation Notes | 1,502,880 | 9/11/19 |
| Federal Home Loan Mortgage Corporation Notes | 2,473,000 | 11/5/19 |
| Federal Home Loan Mortgage Corporation Notes | 1,002,190 | 3/30/20 |
| Federal Home Loan Mortgage Corporation Notes | 500,570 | 8/26/20 |
| Federal Home Loan Mortgage Corporation Notes | 751,095 | 9/17/20 |
| Federal Home Loan Mortgage Corporation Notes | 751,193 | 9/30/20 |
| Federal Home Loan Mortgage Corporation Notes | 1,723,437 | 11/5/20 |
| Federal Home Loan Mortgage Corporation Notes | 1,125,169 | 12/17/20 |
| Federal National Mortgage Association Notes | 1,000,060 | 9/28/18 |
| Federal National Mortgage Association Notes | 247,168 | 10/29/18 |
| Federal National Mortgage Association Notes | 2,228,647 | 11/13/18 |
| Federal National Mortgage Association Notes | 500,105 | 5/27/20 |
| Commercial Paper | 993,880 | 9/2/16 |
| Mutual Funds | 1,900,498 | 37 Days |
| | <u>\$35,004,257</u> | |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Finance Director from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within three years from the date of investment unless they are matched to a specific obligation or debt of the City.

Negotiable certificates of deposit are generally covered by FDIC insurance. The Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and mutual funds carry a rating of Aaa by Moody's. The Commercial Paper is not rated. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that the maturity of commercial paper not exceed one hundred eighty days and not exceed 25 percent of the interim monies available for investment. Mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The following table indicates the percentage of each investment to the City's total portfolio.

| | Fair Value | Percentage of Portfolio |
|--|---------------|----------------------------|
| Negotiable Certificates of Deposit | \$7,186,739 | 20.53% |
| Federal Farm Credit Bank | 1,001,310 | 2.86 |
| Federal Home Loan Bank | 1,493,040 | 4.27 |
| Federal Home Loan Mortgage Corporation | 18,452,810 | 52.72 |
| Federal National Mortgage Association | 3,975,980 | 11.36 |
| Commercial Paper | 993,880 | 2.84 |

NOTE 7 - RECEIVABLES

Receivables at December 31, 2015, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; notes; special assessments, and recovered purchased power. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$383,435, will not be received within one year. Special assessments receivable, in the amount of \$239,844, will not be received within one year. At December 31, 2015, the amount of delinquent special assessments was \$20,654.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 7 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|-------------------------------------|----------|
| Governmental Activities | |
| Major Funds | |
| General Fund | |
| Homestead and Rollback | \$76,944 |
| DARE Grant | 23,837 |
| Charges for Services | 50,122 |
| Fines and Forfeitures | 21,348 |
| Local Government | 326,488 |
| Total General Fund | 498,739 |
| Playground and Recreation | |
| Homestead and Rollback | 29,391 |
| Total Major Funds | 528,130 |
| Nonmajor Funds | |
| Street Maintenance and Repair | |
| Gasoline Tax | 299,923 |
| Auto Registration | 86,385 |
| Motor Vehicle License Tax | 23,817 |
| Total Street Maintenance and Repair | 410,125 |
| State Highway | |
| Gasoline Tax | 24,318 |
| Auto Registration | 7,004 |
| Total State Highway | 31,322 |
| Law Enforcement Drug | |
| Fines and Forfeitures | 390 |
| Indigent Drivers Alcohol | |
| Fines and Forfeitures | 1,540 |
| Enforcement and Education | |
| Fines and Forfeitures | 173 |
| Interlock and Alcohol Monitoring | |
| Fines and Forfeitures | 1,574 |

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 7 - RECEIVABLES (continued)

| | Amount |
|--|-------------|
| Governmental Activities (continued) | |
| Nonmajor Funds (continued) | |
| Municipal Court Special Projects | |
| Charges for Services | \$1,190 |
| Fines and Forfeitures | 8,945 |
| Total Municipal Court Special Projects | 10,135 |
| Municipal Probation Services | |
| Charges for Services | 5,870 |
| Municipal Court Computerization | |
| Charges for Services | 357 |
| Street Repair | |
| Ohio Department of Transportation | 43,235 |
| Aquatic Facility Capital Improvement | |
| Homestead and Rollback | 12,596 |
| Total Nonmajor Funds | 517,317 |
| Internal Service | |
| Charges for Services | 1,835 |
| Total Governmental Activities | \$1,047,282 |
| Business Type Activities | |
| Major Funds | |
| Electric | |
| Charges for Services | \$10,288 |
| Water | |
| Charges for Services | 4,790 |
| Sewer | |
| Charges for Services | 2,987 |
| Total Business Type Activities | \$18,065 |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 8 - NOTES RECEIVABLE

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant and Home Investment Partnership Program. The notes have an annual interest rate of 2.15 to 3.2614 percent and are to be repaid over periods ranging from three to twenty years. A summary of the changes in notes receivable during 2015 follows:

| | Balance December 31, 2014 | New Loans | Repayments | Balance December 31, 2015 | Due Within One Year |
|------------------------|---------------------------------|------------------|------------------|---------------------------------|------------------------|
| Special Revenue Fund | | | | | |
| CDBG | | | | | |
| Revolving Loan Program | \$419,671 | \$300,000 | \$154,947 | \$564,724 | \$190,363 |
| Home Program | 48,826 | 0 | 1,354 | 47,472 | 38,398 |
| Total Notes Receivable | <u>\$468,497</u> | <u>\$300,000</u> | <u>\$156,301</u> | <u>\$612,196</u> | <u>\$228,761</u> |

NOTE 9 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 2 percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 50 percent of the tax paid to another municipality, not to exceed 50 percent of the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

The City, by ordinance, allocates 1.5 percent of income taxes as follows: to the General Fund (.75); Playground and Recreation (.05) special revenue fund; and the Capital Improvement (.13), Sewer and Water Capital Improvement (.50), and Street Repair Capital Improvement (.07) capital projects funds. The remaining .5 percent is split between the Police Levy (.14) and Fire Levy (.36) special revenue funds.

NOTE 10 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2015 represent the collection of 2014 taxes. Real property taxes received in 2015 were levied after October 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 10 - PROPERTY TAXES (continued)

Public utility property tax revenues received in 2015 represent the collection of 2014 taxes. Public utility real and tangible personal property taxes received in 2015 became a lien on December 31, 2013, were levied after October 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Bowling Green. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In the government funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

The full tax rate for all City operations for the year ended December 31, 2015, was \$5.60 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

| Category | Assessed Value |
|--------------------------|-------------------|
| Real Estate | |
| Agricultural/Residential | \$274,811,780 |
| Commercial/Industrial | 177,646,430 |
| Public Utility Real | 17,720 |
| Public Utility Personal | 2,224,160 |
| Total | \$454,700,090 |

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

| | Balance December 31, 2014 | Additions | Reductions | Balance December 31, 2015 |
|-------------------------------------|---------------------------------|-----------|------------|---------------------------------|
| Governmental Activities: | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$4,422,948 | \$0 | \$0 | \$4,422,948 |
| Construction in Progress | 950,958 | 519,811 | (659,678) | 811,091 |
| Total Nondepreciable Capital Assets | 5,373,906 | 519,811 | (659,678) | 5,234,039 |

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - CAPITAL ASSETS (continued)

| | Balance December 31, 2014 | Additions | Reductions | Balance December 31, 2015 |
|--|---------------------------------|--------------------|--------------------|---------------------------------|
| Governmental Activities (continued): | | | | |
| Depreciable Capital Assets | | | | |
| Land Improvements | \$6,688,917 | \$0 | \$0 | \$6,688,917 |
| Buildings | 19,046,836 | 0 | 0 | 19,046,836 |
| Equipment | 2,610,195 | 395,029 | 0 | 3,005,224 |
| Vehicles | 8,243,168 | 273,541 | (203,122) | 8,313,587 |
| Streets | 59,788,967 | 2,315,766 | 0 | 62,104,733 |
| Total Depreciable Capital Assets | 96,378,083 | 2,984,336 | (203,122) | 99,159,297 |
| Less Accumulated Depreciation for | | | | |
| Land Improvements | (1,612,366) | (263,831) | 0 | (1,876,197) |
| Buildings | (8,580,736) | (403,703) | 0 | (8,984,439) |
| Equipment | (1,984,369) | (222,094) | 0 | (2,206,463) |
| Vehicles | (6,215,718) | (592,397) | 203,122 | (6,604,993) |
| Streets | (36,453,664) | (2,030,327) | 0 | (38,483,991) |
| Total Accumulated Depreciation | (54,846,853) | (3,512,352) | 203,122 | (58,156,083) |
| Total Depreciable Capital Assets, Net | 41,531,230 | (528,016) | 0 | 41,003,214 |
| Governmental Activities Capital Assets, Net | <u>\$46,905,136</u> | <u>(\$8,205)</u> | <u>(\$659,678)</u> | <u>\$46,237,253</u> |

Governmental activities accepted contributions of capital assets from outside sources with a fair value of \$195,605.

| | Balance December 31, 2014 | Additions | Reductions | Balance December 31, 2015 |
|--|---------------------------------|------------------|------------------|---------------------------------|
| Business-Type Activities: | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$3,722,855 | \$1,246,209 | 0 | \$4,969,064 |
| Construction in Progress | 3,349,035 | 2,150,709 | (715,669) | 4,784,075 |
| Total Nondepreciable Capital Assets | 7,071,890 | 3,396,918 | (715,669) | 9,753,139 |
| Depreciable Capital Assets | | | | |
| Buildings | 85,549,487 | 643,191 | 0 | 86,192,678 |
| Equipment | 2,414,793 | 202,011 | 0 | 2,616,804 |
| Vehicles | 5,472,645 | 278,570 | 0 | 5,751,215 |
| Electric, Water, Sewer, and Storm Sewer Lines | 105,052,125 | 1,643,800 | 0 | 106,695,925 |
| Total Depreciable Capital Assets | 198,489,050 | 2,767,572 | 0 | 201,256,622 |

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - CAPITAL ASSETS (continued)

| | Balance December 31, 2014 | Additions | Reductions | Balance December 31, 2015 |
|--|---------------------------------|--------------------|--------------------|---------------------------------|
| Business-Type Activities (continued): | | | | |
| Less Accumulated Depreciation for | | | | |
| Buildings | (\$36,916,217) | (\$1,697,428) | \$0 | (\$38,613,645) |
| Equipment | (2,316,843) | (54,836) | 0 | (2,371,679) |
| Vehicles | (4,738,558) | (291,182) | 0 | (5,029,740) |
| Electric, Water, Sewer, and Storm Sewer Lines | (48,915,768) | (2,210,563) | 0 | (51,126,331) |
| Total Accumulated Depreciation | (92,887,386) | (4,254,009) | 0 | (97,141,395) |
| Total Depreciable Capital Assets, Net | 105,601,664 | (1,486,437) | 0 | 104,115,227 |
| Business-Type Activities Capital Assets, Net | <u>\$112,673,554</u> | <u>\$1,910,481</u> | <u>(\$715,669)</u> | <u>\$113,868,366</u> |

The Electric, Water, and Sewer enterprise funds accepted contributions of capital assets from governmental activities with a fair value of \$209,474, \$1,515,597, and \$883,040, respectively.

The Water enterprise fund accepted contributions of capital assets from the Electric enterprise fund with a fair value of \$37,355.

The Water and Sewer enterprise funds accepted contributions of capital assets from outside sources with a fair value of \$112,445 and \$178,496, respectively

Depreciation expense was charged to governmental functions as follows:

| | |
|--|--------------------|
| Governmental Activities | |
| Security of Persons and Property-Police | \$180,620 |
| Security of Persons and Property-Fire | 254,708 |
| Security of Persons and Property-Ambulance | 17,243 |
| Public Health | 1,295 |
| Leisure Time Activities | 394,910 |
| Community Environment | 6,176 |
| Transportation | 2,405,450 |
| General Government-Court | 156,513 |
| General Government-Other | 95,437 |
| Total Depreciation Expense - Governmental Activities | <u>\$3,512,352</u> |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 12 - INTERFUND BALANCES

Interfund balances at December 31, 2015, consisted of the following individual fund receivables and payables:

| | |
|---------------------------------------|------------------|
| Due to General Fund from: | |
| Electric | <u>\$109,726</u> |
| Due to Other Governmental Funds from: | |
| Other Governmental | <u>\$275,000</u> |
| Due to Electric Fund from: | |
| Water | \$2,028 |
| Sewer | 18,465 |
| Total Electric Fund | <u>\$20,493</u> |
| Due to Water Fund from: | |
| General | \$4,113 |
| Playground and Recreation | 205 |
| Other Governmental | 2,345 |
| Electric | 498 |
| Sewer | 2,418 |
| Total Water Fund | <u>\$9,579</u> |
| Due to Internal Service Fund from: | |
| Sewer and Water Capital Improvement | \$15,943 |
| Other Governmental | 6,802 |
| Water | 1,030 |
| Sewer | 1,351 |
| Total Internal Service Fund | <u>\$25,126</u> |

The balances due to the General, Other Governmental, Electric, Water, and Internal Service funds resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these amounts, except the \$275,000 in other governmental funds, are expected to be received within one year.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the City contracted with the Buckeye Ohio Risk Management Agency (BORMA) for property, liability, and crime insurance. The BORMA program is subject to a \$25,000 deductible for any property or liability loss. Coverage provided by BORMA is as follows:

| | |
|--|---------------|
| Property | |
| Building and Contents | \$250,000,000 |
| Flood Annual Aggregate | 10,000,000 |
| Earthquake Annual Aggregate | 10,000,000 |
| Boiler and Machinery | 100,000,000 |
| General Liability | |
| Per Occurrence | 2,000,000 |
| Employee Benefit Liability | 2,000,000 |
| Ohio Stop Gap Liability | 2,000,000 |
| Public Official Liability | 2,000,000 |
| Law Enforcement Professional Liability | 2,000,000 |
| Automobile Liability | 2,000,000 |
| Crime | |
| Employee Dishonesty and Faithful Performance | 500,000 |
| Depositor's Forgery | 500,000 |
| Money and Securities | 500,000 |
| Excess Liability | |
| Per Occurrence | 8,000,000 |
| Annual Aggregate | 8,000,000 |

Settled claims have not exceeded this coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

The City participates in the Buckeye Ohio Risk Management Agency (BORMA), a public entity shared risk pool among several cities in Northern Ohio. BORMA is responsible for the management and operations of the program. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage provided under the program. Upon withdrawal from BORMA, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal from the program.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 13 - RISK MANAGEMENT (continued)

For 2015, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan. To maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the plan if written notice is provided sixty days prior to the prescribed application deadline to the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2015:

| Vendor | Contract Amount | Amount Paid as of 12/31/15 | Outstanding Balance |
|---------------------------------------|--------------------|-------------------------------|------------------------|
| Inland Waters Pollution Control, Inc. | \$171,882 | \$0 | \$171,882 |
| Landmark Structures | 1,820,918 | 1,817,294 | 3,624 |
| Marlin White & Sons, Inc. | 190,697 | 183,069 | 7,628 |
| Poggemeyer Design Group, Inc. | 684,619 | 172,029 | 512,590 |
| Reiss Engineer, Inc. | 243,608 | 167,720 | 75,888 |
| Shelly Company | 1,932,973 | 1,351,107 | 581,866 |
| Utility Truck Equipment, Inc. | 294,095 | 0 | 294,095 |
| Vernon Nagel | 185,636 | 182,276 | 3,360 |

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2016 are as follows:

| | |
|-------------------------------------|-----------|
| General Fund | \$492,617 |
| Playground and Recreation | 83,869 |
| Sewer and Water Capital Improvement | 998,860 |
| Other Governmental Funds | 638,280 |

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services, and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information).

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013, or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013 | Members not in other groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years |

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for twelve months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows.

| | State and Local | Public Safety | Law Enforcement |
|--|--------------------|------------------|--------------------|
| 2015 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0% | 18.1% | 18.1% |
| Employee | 10.0 % | * | ** |
| 2015 Actual Contribution Rates | | | |
| Employer | | | |
| Pension | 12.0 % | 16.1 % | 16.1 % |
| Postemployment Health Care Benefits | 2.0 | 2.0 | 2.0 |
| Total Employer | 14.0 % | 18.1 % | 18.1 % |
| Total Employee | 10.0 % | 12.0 % | 13.0 % |

* This rate is determined by OPERS' Board and has no maximum rate established by the ORC.

** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,275,059 for 2015. Of this amount, \$44,960 is reported as an intergovernmental payable.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - Ohio Police and Fire Pension Fund (OPF)

Plan Description - Full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information, required supplementary information, and detailed information about OPF's fiduciary net position that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, an OPF member may retire and receive a lifetime monthly pension. OPF offers four types of service retirement; normal, service commuted, age/service commuted, and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is fifty-two for normal service retirement with at least twenty-five years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is forty-eight for normal service retirement with at least twenty-five years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first twenty years of service credit, 2 percent for each of the next five years of service credit, and 1.5 percent for each year of service credit in excess of twenty-five years. The maximum pension of 72 percent of the allowable average annual salary is paid after thirty-three years of service credit.

Under normal service retirement, retired members who are at least fifty-five years old and have been receiving OPF benefits for at least one year may be eligible for a cost of living allowance adjustment. The age fifty-five provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than fifteen years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the Consumer Price Index over the twelve month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least fifteen years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows.

| | Police | Firefighters |
|--|---------|--------------|
| 2015 Statutory Maximum Contribution Rates | | |
| Employer | 19.50% | 24.00% |
| Employee | | |
| January 1, 2015, through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015, through December 31, 2015 | 12.25 % | 12.25 % |
| 2015 Actual Contribution Rates | | |
| Employer | | |
| Pension | 19.00 % | 23.50 % |
| Postemployment Health Care Benefits | .50 | .50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee | | |
| January 1, 2015, through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015, through December 31, 2015 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,528,568 for 2015. Of this amount, \$66,177 is reported as an intergovernmental payable.

Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

| | OPERS | OPF | Total |
|--|--------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$10,006,145 | \$16,927,033 | \$26,933,178 |
| Proportion of the Net Pension Liability | 0.08296200% | 0.32675040% | |
| Pension Expense | \$1,088,467 | \$1,651,153 | \$2,739,620 |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

| | OPERS | OPF | Total |
|--|-------------|-------------|-------------|
| Deferred Outflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$533,898 | \$729,539 | \$1,263,437 |
| City contributions subsequent to the measurement date | 1,275,059 | 1,528,568 | 2,803,627 |
| Total Deferred Outflows of Resources | \$1,808,957 | \$2,258,107 | \$4,067,064 |
| Deferred Inflows of Resources | | | |
| Difference between expected and actual experience | \$175,788 | \$0 | \$175,788 |

\$2,803,627 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

| | OPERS | OPF | Total |
|--------------------------|-----------|-----------|-------------|
| Year Ending December 31, | | | |
| 2016 | \$52,365 | \$182,385 | \$234,750 |
| 2017 | 52,365 | 182,385 | 234,750 |
| 2018 | 119,904 | 182,385 | 302,289 |
| 2019 | 133,476 | 182,384 | 315,860 |
| Total | \$358,110 | \$729,539 | \$1,087,649 |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

| | |
|--|---|
| Wage Inflation | 3.75 percent |
| Future Salary Increases, including inflation | 4.25 to 10.05 percent, including wage inflation |
| COLA or Ad Hoc COLA | 3 percent simple |
| Investment Rate of Return | 8 percent |
| Actuarial Cost Method | individual entry age |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Mortality rates were based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 Mortality Table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefits portfolio includes the investment assets of the traditional pension plan, the defined benefit component of the combined plan, the annuitized accounts of the member-directed plan, and the VEBA Trust. Within the Defined Benefits portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expenses, for the Defined Benefits portfolio was 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefits portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plan. The table below displays the board approved asset allocation policy for 2014 and the long-term expected real rates of return.

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 19.90 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 19.10 | 7.40 |
| Other Investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.28 % |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate.

| | 1% Decrease (7%) | Current Discount Rate (8%) | 1% Increase (9%) |
|--|---------------------|----------------------------------|---------------------|
| City's Proportionate Share of the Net Pension Liability | \$18,408,438 | \$10,006,145 | \$2,929,388 |

Actuarial Assumptions - OPF

OPF's total pension liability as of December 31, 2014, is based on the results of an actuarial valuation date of January 1, 2014, and rolled forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of January 1, 2014, are presented below.

| | |
|----------------------------|----------------------------|
| Valuation Date | January 1, 2014 |
| Actuarial Cost Method | entry age normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| Cost of Living Adjustments | 2.6 percent and 3 percent |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Mortality rates are based on the RP-2000 Combined Table, age adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block approach and assumes a time horizon as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014, are summarized below.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash and Cash Equivalents | - % | (0.25) % |
| Domestic Equities | 16.00 | 4.47 |
| Non-U.S. Equities | 16.00 | 4.47 |
| Core Fixed Income* | 20.00 | 1.62 |
| Global Inflation Protected* | 20.00 | 1.33 |
| High Yield | 15.00 | 3.39 |
| Real Estate | 12.00 | 3.93 |
| Private Markets | 8.00 | 6.98 |
| Timber | 5.00 | 4.92 |
| Master Limited Partnerships | 8.00 | 7.03 |
| Total | <u>120.00 %</u> | |

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall total portfolio risk without sacrificing return and creating a more risk balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.25 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent) or one percentage point higher (9.25 percent) than the current rate.

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's Proportionate Share of the Net Pension Liability | \$23,412,648 | \$16,927,033 | \$11,435,690 |

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit postemployment health care trusts which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements to qualifying benefit recipients of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits including OPERS sponsored health care coverage.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed 14 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees and the traditional pension and combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a retiree medical account for member-directed plan members.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. The portion of the employer contribution allocated to health care for members in both the traditional pension and combined plans was 2 percent for 2015. As recommended by the OPERS actuary, the portion of the employer contribution allocated to health care beginning January 1, 2016, remained at 2 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the VEBA for participants in the member-directed plan was 4.5 percent for 2015.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing multiple-employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$212,510, \$203,429, and \$95,512, respectively. For 2015, 96 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

B. Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an other postemployment benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the OPF website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as a percentage of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of the employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

The City's contribution to OPF for the years ended December 31, 2015, 2014, and 2013, was \$1,564,163, \$1,399,387, and \$1,633,681, respectively, of which \$35,595, \$31,958, and \$275,261 was allocated to the health care plan. For 2015, 96 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

NOTE 17 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn vacation at varying rates depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with supervisory approval. Employees are paid for 100 percent of earned unused vacation leave upon termination. Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked, except for those employees under the International Association of Firefighters who earn five and ninety-eight hundredths hours for every one hundred four regular hours worked. Each employee, at the time of retirement from active service with the City, is paid for 25 percent of their earned unused sick leave, with a maximum payment limit of two hundred forty hours for any employee hired after May 1, 2011, under the International Association of Firefighters, June 18, 2014, under the Bowling Green Police Patrolman's Association, July 1, 2014, under the Bowling Green Municipal Employees Association or the Bowling Green Employees Organization, and September 1, 2014, under Administration or the Bowling Green Police Command Officers Association. Any employee hired prior to these dates, and all municipal court employees, have no maximum payment limit with the exception of the employees under the Police Command Officers' Association who will be paid for 25 percent of their earned unused sick leave up to 1,500 hours and 50 percent of earned unused sick leave in excess of 1,500 hours.

NOTE 18 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2015, were as follows:

| | Interest Rate | Balance December 31, 2014 | Additions | Reductions | Balance December 31, 2015 |
|---|------------------|---------------------------------|--------------------|--------------------|---------------------------------|
| <u>Governmental Activities</u> | | | | | |
| 2014 Real Estate Acquisition Notes | .591% | \$600,000 | \$0 | \$600,000 | \$0 |
| 2015 Real Estate Acquisition Notes | 1.05 | 0 | 600,000 | 0 | 600,000 |
| Total Governmental Activities | | <u>\$600,000</u> | <u>\$600,000</u> | <u>\$600,000</u> | <u>\$600,000</u> |
| <u>Business-Type Activities</u> | | | | | |
| <u>General Obligation Bond Anticipation Notes</u> | | | | | |
| Electric | | | | | |
| 2014 Electric System Improvements | 1.0% | \$2,435,000 | \$0 | \$2,435,000 | \$0 |
| 2015 Electric System Improvements | 1.0 | 0 | 2,235,000 | 0 | 2,235,000 |
| Total Business-Type Activities | | <u>\$2,435,000</u> | <u>\$2,235,000</u> | <u>\$2,435,000</u> | <u>\$2,235,000</u> |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 18 - NOTES PAYABLE (continued)

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The City has issued bond anticipation notes with a maturity of one year or less which will be reissued until paid in full or bonds are issued. The City's bond anticipation notes are supported by the full faith and credit of the City.

On November 5, 2014, the City issued \$600,000 in bond anticipation notes to retire notes previously issued to acquire land. The notes have an interest rate of .591 percent and matured on November 4, 2015.

On November 4, 2015, the City issued \$600,000 in bond anticipation notes to retire notes previously issued to acquire land. The notes have an interest rate of 1.05 percent and mature on November 4, 2016.

During 2014, the City issued electric system improvement bond anticipation notes, in the amount of \$2,435,000, to retire notes previously issued to pay the costs of improving the City's electric system by constructing a new substation. The notes were issued on November 19, 2014, and matured on November 18, 2015.

During 2015, the City issued electric system improvement bond anticipation notes, in the amount of \$2,235,000, to retire notes previously issued to pay the costs of improving the City's electric system by constructing a new substation. The notes were issued on November 18, 2015, and mature on November 17, 2016.

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2015, was as follows:

| | Interest Rate | Restated Balance December 31, 2014 | Additions | Reductions | Balance December 31, 2015 | Due Within One Year |
|---|------------------|---|-----------|----------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> | | | | | | |
| General Obligation Bonds | | | | | | |
| 2004 Various Purpose Improvement (Original Issue - \$11,745,000) | 3 - 5% | \$785,000 | \$0 | \$155,000 | \$630,000 | \$155,000 |
| 2006 Park and Recreation (Original Issue - \$480,000) | 4.42 | 60,000 | 0 | 60,000 | 0 | 0 |
| 2012 Refunding Various Purpose Improvement (Original Issue - \$3,850,000) | .75 - 3 | 3,760,000 | 0 | 25,000 | 3,735,000 | 30,000 |
| 2013 Refunding Various Purpose Improvement (Original Issue - \$7,095,000) | 1.5 - 4 | 5,960,000 | 0 | 715,000 | 5,245,000 | 710,000 |
| Total General Obligation Bonds | | 10,565,000 | 0 | 955,000 | 9,610,000 | 895,000 |

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

| | Interest Rate | Restated Balance December 31, 2014 | Additions | Reductions | Balance December 31, 2015 | Due Within One Year |
|---|------------------|---|--------------------|--------------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> (continued) | | | | | | |
| Ohio Water Development Authority Loans | | | | | | |
| 1994 Second Water Transmission Main (Original Issue - \$3,644,348) | 5.77% | \$1,380,542 | \$0 | \$246,044 | \$1,134,498 | \$130,120 |
| 2002 Clearwell and High Service Pump (Original Issue - \$3,217,619) | 3.95 | 1,136,419 | 0 | 308,976 | 827,443 | 159,080 |
| 2004 Wastewater Treatment Plant and Solids Handling Improvements (Original Issue - \$5,921,827) | 1.76 | 2,353,932 | 0 | 411,288 | 1,942,644 | 208,362 |
| 2008 Intake and Pump Station (Original Issue - \$4,107,626) | 3.52 | 3,332,009 | 0 | 172,033 | 3,159,976 | 88,294 |
| 2009 WWTP Tertiary Filtration (Original Issue - \$2,541,205) | 4.14 | 2,035,169 | 0 | 104,898 | 1,930,271 | 54,083 |
| 2009 Microfiltration/Low Pressure Reverse Osmosis (Original Issue - \$4,319,545) | 0.00 | 3,455,637 | 0 | 215,977 | 3,239,660 | 107,989 |
| 2010 WWTP Ultraviolet Disinfection Project | 0.00 | 675,151 | 29,428 | 0 | 704,579 | 0 |
| 2012 Poe and Mercer Roads Pump Station Upgrades | 3.08 | 1,104,162 | 0 | 52,253 | 1,051,909 | 0 |
| 2013 Manville Tower Replacement | 2.59 | 2,235,485 | 971,020 | 112,239 | 3,094,266 | 0 |
| 2015 Water Treatment Reservoir Pump Station | 0.00 | 0 | 44,396 | 0 | 44,396 | 0 |
| Total Ohio Water Development Authority Loans | | <u>17,708,506</u> | <u>1,044,844</u> | <u>1,623,708</u> | <u>17,129,642</u> | <u>747,928</u> |
| Other Long-Term Obligations | | | | | | |
| Net Pension Liability | | | | | | |
| Ohio Public Employees Retirement System | | 4,596,666 | 106,221 | 0 | 4,702,887 | 0 |
| Ohio Police and Fire Pension | | 15,913,770 | 1,013,263 | 0 | 16,927,033 | 0 |
| Total Net Pension Liability | | <u>20,510,436</u> | <u>1,119,484</u> | <u>0</u> | <u>21,629,920</u> | <u>0</u> |
| Compensated Absences Payable | | 1,577,676 | 218,191 | 134,396 | 1,661,471 | 777,099 |
| Capital Leases Payable | | 0 | 199,565 | 42,323 | 157,242 | 37,574 |
| Total Other Long-Term Obligations | | <u>22,088,112</u> | <u>1,537,240</u> | <u>176,719</u> | <u>23,448,633</u> | <u>814,673</u> |
| Total Governmental Activities | | <u>\$50,361,618</u> | <u>\$2,582,084</u> | <u>\$2,755,427</u> | <u>\$50,188,275</u> | <u>\$2,457,601</u> |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

| | Interest Rate | Restated Balance December 31, 2014 | Additions | Reductions | Balance December 31, 2015 | Due Within One Year |
|--|------------------|---|-----------|-------------|---------------------------------|------------------------|
| <u>Business-Type Activities</u> | | | | | | |
| General Obligation Bonds | | | | | | |
| 2012 Refunding Various Purpose Improvement | | | | | | |
| (Original Issue - \$2,195,000) | .75 - 3% | \$2,145,000 | \$0 | \$20,000 | \$2,125,000 | \$20,000 |
| 2013 Refunding Various Purpose Improvement | | | | | | |
| (Original Issue - \$1,280,000) | 1.5 - 4 | 935,000 | 0 | 330,000 | 605,000 | 330,000 |
| Total General Obligation Bonds | | 3,080,000 | 0 | 350,000 | 2,730,000 | 350,000 |
| Other Long-Term Obligations | | | | | | |
| Net Pension Liability | | | | | | |
| Ohio Public Employees Retirement System | | | | | | |
| | | 5,183,473 | 119,785 | 0 | 5,303,258 | 0 |
| Compensated Absences Payable | | | | | | |
| | | 1,117,167 | 96,056 | 85,675 | 1,127,548 | 454,313 |
| AMP Ohio Payable - JV 2 | | | | | | |
| | | 2,181,124 | 0 | 709,938 | 1,471,186 | 711,241 |
| AMP Ohio Payable - JV 6 | | | | | | |
| | | 563,062 | 0 | 563,062 | 0 | 0 |
| AMP Ohio Payable | | | | | | |
| | | 1,018,047 | 21,043 | 72,000 | 967,090 | 72,000 |
| Total Other Long-Term Obligations | | 10,062,873 | 236,884 | 1,430,675 | 8,869,082 | 1,237,554 |
| Total Business-Type Activities | | \$13,142,873 | \$236,884 | \$1,780,675 | \$11,599,082 | \$1,587,554 |

2004 Various Purpose Improvement General Obligation Bonds - On May 6, 2004, the City issued \$17,960,000 in unvoted general obligation bonds to retire notes originally issued to finance the following: a new Municipal Court (\$3,510,000), the West Side Fire Station (\$610,000), portions of the Central Business District (\$2,270,000), the Community Center (\$3,950,000), the East Wooster Street Improvements (\$1,405,000), the Electric System (\$835,000), the Water System Improvement (\$1,150,000), the Wastewater Treatment Plant (\$1,385,000), and the Sanitary Sewerage System (\$2,845,000). The bonds were issued for a twenty-four year period with maturity beginning December 1, 2004. The interest rate of the bonds ranges from 3 to 5 percent over the life of the bonds. The bonds will be paid from the Debt Service Fund, and the Electric, Water, and Sewer enterprise funds. During 2012 and 2013, a portion of these bonds was refunded.

The bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, on December 1, 2017, in the amount of \$805,000 (with the balance of \$815,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, on December 1, 2019, in the amount of \$745,000 (with the balance of \$785,000 to be paid at stated maturity on December 1, 2020) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

2006 Park and Recreation General Obligation Bonds - On November 8, 2006, the City issued \$480,000 in unvoted general obligation bonds to retire notes previously issued to purchase real property for park and recreation purposes. The bonds were issued for an eight year period with maturity beginning December 1, 2008. The bonds will be paid from the Greenspace Acquisition capital projects fund.

2012 Refunding Various Purpose Improvement General Obligation Bonds - On June 20, 2012, the City issued \$6,045,000 in unvoted general obligation bonds to refund bonds previously issued in 2004 for the following: a new Municipal Court (\$1,420,000), the Community Center (\$2,430,000), the Water System Improvement (\$485,000), the Wastewater Treatment Plant (\$555,000), and the Sanitary Sewerage System (\$1,155,000). The bonds were issued for a twenty-six year period with maturity beginning December 1, 2012. The interest rate of the bonds ranges from .75 to 3 percent over the remaining life of the bonds. The bonds will be paid from the Debt Service Fund, and the Water and Sewer enterprise funds.

The bonds maturing on or after December 1, 2017, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2015 | \$45,000 |
| 2016 | \$50,000 |
| 2017 | \$50,000 |

The bonds maturing on or after December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2025 | \$220,000 |
| 2026 | \$225,000 |

The bonds maturing on or after December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2027 | \$230,000 |
| 2028 | \$235,000 |

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on or after December 1, 2019, are subject to optional redemption by and at the sole option of the City, either in whole or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

At December 31, 2015, none of the refunded debt was still outstanding.

2013 Refunding Various Purpose Improvement General Obligation Bonds - On March 6, 2013, the City issued \$8,375,000 in unvoted general obligation bonds to currently refund bonds previously issued in 2004 (\$2,525,000), to retire notes previously issued (\$4,850,000), the City also paid principal, in the amount of \$1,000,000, and for improvements to the municipal swimming pool and related recreational facilities (\$1,000,000). The bonds were issued for a twenty year period with maturity beginning December 1, 2013. The interest rate of the bonds ranges from 1.5 to 4 percent over the remaining life of the bonds. The bonds will be paid from the Debt Service Fund, and the Electric, Water, and Sewer enterprise funds.

The bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2027 | \$180,000 |
| 2028 | \$190,000 |

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2029 | \$195,000 |
| 2030 | \$200,000 |

The bonds maturing and on December 1, 2032, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and respective principal amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2031 | \$205,000 |
| 2032 | \$210,000 |

The bonds are subject to prior redemption on or after December 1, 2019, by and at the sole option of the City, either in whole or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

OWDA Loans Payable - The OWDA loans represent amounts borrowed from the Ohio Water Development Authority for construction of water and sewer system improvements. The intention is to repay the loans with income tax revenues of the Sewer and Water Capital Improvement capital projects fund. Annual principal and interest payments on the loans are expected to require less than 100 percent of these revenues. The total principal and interest remaining to be paid on the OWDA loans (on completed projects for which amortization schedules are available) are \$12,234,492 and \$1,386,465, respectively. Principal and interest paid in the Sewer and Water Capital Improvement capital projects fund for the current year were \$1,623,708 and \$472,311, respectively. Total revenue for the Sewer and Water Capital Improvement capital projects fund was \$4,902,102.

Net Pension Liability - The City pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 15 to the basic financial statements.

Compensated Absences - The compensated absences liability will be paid from the General Fund, the Playground and Recreation, Street Maintenance and Repair, ODOT Transportation, Community Development Block Grant, Police Levy, Fire Levy, and Municipal Probation Services special revenue funds, the Electric, Water, and Sewer enterprise funds, and the Engineering internal service fund.

Capital Leases Payable - Capital lease obligations will be paid from the fund that maintains custody of the related asset.

AMP Ohio Payable - JV2 - The City is a participant, with thirty-six other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. During 2001, AMP-Ohio issued bonds, in the amount of \$50,260,000, to acquire capital assets for JV2. Under a financing agreement between the participants of JV2 and AMP-Ohio, the participants have agreed to pay the debt service requirements of the bonds. Payments are to be made solely from resources of the City's Electric enterprise fund.

AMP Ohio Payable - JV6 - The City is a participant, with ten other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6), a joint venture to provide low-polluting capacity electricity to the participants. During 2004, AMP-Ohio issued bonds, in the amount of \$9,861,000, to acquire capital assets for JV6. Under a financing agreement between the participants of JV6 and AMP-Ohio, the participants have agreed to pay the debt service requirements of the bonds. During 2015, the bonds matured and were paid in full from resources of the City's Electric enterprise fund.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

The AMP-Ohio loans for JV2 and JV6 will be paid solely from the net revenues of the electric system, subject only to the prior payment of operation and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues. The City is required to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 and JV6 debt service and any other outstanding electric system revenue obligations. The remaining principal and interest to be paid on the loan is \$1,508,561 payable through 2017. Principal paid for the current year was \$709,938 for JV2 and \$563,062 for JV6. Total net revenues for the Electric enterprise fund were \$3,285,998.

AMP Ohio Payable - The City of Bowling Green is a member of American Municipal Power (AMP) and a participant in the American Municipal Power Generating Station Project (AMPGS). This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share of the project was 21,000 kW of a total capacity of 771,281 kW, giving the City a 2.72 percent share of the project.

The AMPGS project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. As a result of a March 31, 2014, legal ruling, the AMP Board of Trustees on April 15, 2014, and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The City's estimated share of the impaired costs at March 31, 2014, was \$3,625,332. The City received a credit of \$949,722 related to the AMPGS costs deemed to have future benefit for the project participants, and have made payments of \$1,679,000 leaving a net impaired cost estimate of \$996,610. The City has since incurred additional costs of \$42,480 (in total) for interest and legal fees and has made payments of \$72,000 (in total), resulting in a net impaired cost estimate at December 31, 2015, of \$967,090. The City is reporting a payable to AMP in its business-type activities and in its Electric enterprise fund for these impaired costs. AMP financed these costs in its revolving line of credit. Any additional costs (including line of credit interest and legal fees) or amounts received related to the project may result in a future liability to the City. These amounts will be recorded as they become estimable.

The City is paying its liability to AMP by making monthly payments over a fourteen year period. The liability should be paid in full during 2029.

The City's legal debt margin was \$37,659,034 at December 31, 2015.

The WWTP Ultraviolet Disinfection project, the Poe and Mercer Roads Pump Station Upgrades, the Manville Tower Replacement, and the Water Treatment Reservoir Pump Station projects funded by OWDA loans have not been completed. Amortization schedules for the repayment of these loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2015, were as follows:

| Year | General Obligation Bonds | | OWDA Loans | |
|--------------|--------------------------|--------------------|---------------------|--------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$895,000 | \$256,657 | \$747,928 | \$91,915 |
| 2017 | 915,000 | 221,456 | 1,526,438 | 232,727 |
| 2018 | 920,000 | 184,657 | 1,573,525 | 195,759 |
| 2019 | 830,000 | 158,781 | 1,268,272 | 159,940 |
| 2020 | 850,000 | 142,782 | 1,142,326 | 130,752 |
| 2021 to 2025 | 3,155,000 | 466,007 | 2,913,117 | 436,718 |
| 2026 to 2030 | 1,630,000 | 179,524 | 2,954,897 | 138,654 |
| 2031 to 2032 | 415,000 | 18,750 | 107,989 | 0 |
| Total | <u>\$9,610,000</u> | <u>\$1,628,614</u> | <u>\$12,234,492</u> | <u>\$1,386,465</u> |

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2015, from the enterprise funds were as follows:

| Year | General Obligation Bonds | | AMP Ohio Payable | |
|--------------|--------------------------|------------------|--------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$350,000 | \$68,513 | \$783,241 | \$19,051 |
| 2017 | 295,000 | 54,912 | 831,945 | 18,324 |
| 2018 | 330,000 | 43,513 | 72,000 | 0 |
| 2019 | 340,000 | 36,912 | 72,000 | 0 |
| 2020 | 350,000 | 30,113 | 72,000 | 0 |
| 2021 to 2025 | 1,065,000 | 47,749 | 360,000 | 0 |
| 2026 to 2029 | 0 | 0 | 247,090 | 0 |
| Total | <u>\$2,730,000</u> | <u>\$281,712</u> | <u>\$2,438,276</u> | <u>\$37,375</u> |

The City has issued multi-family housing revenue bonds and Ohio Water Development Authority loans which are summarized in the following table:

| | Date of Issue | Amount of Issue | Balance December 31, 2015 |
|---------------------------------------|------------------|--------------------|---------------------------------|
| Multi-Family Housing Revenue Bonds | | | |
| Student Housing | 6/16/2010 | \$81,610,000 | \$79,505,000 |
| Ohio Water Development Authority Loan | | | |
| Hiram College | 4/29/2004 | 611,872 | 611,872 |

The City is not obligated in any way to pay debt and related charges on multi-family housing revenue bonds or the Ohio Water Development Authority Loan - Hiram College from any of its funds, and therefore, they have been excluded entirely from the City's financial statements. There has not been and there is not currently any condition of default under the debt or the related financing documents.

NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The City has entered into a capitalized lease for vehicles. New capital leases are reflected in the accounts “Capital Outlay” and “Inception of Capital Lease” in the funds which will be making the lease payments. Principal payments in 2015 were \$42,323 for governmental activities.

| | Governmental Activities |
|-----------------------------------|----------------------------|
| Vehicles | \$199,565 |
| Less Accumulated Depreciation | (14,967) |
| Carrying Value, December 31, 2015 | \$184,598 |

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2015.

| Year | Governmental Activities | |
|-------|----------------------------|----------|
| | Principal | Interest |
| 2016 | \$37,574 | \$4,749 |
| 2017 | 38,709 | 3,614 |
| 2018 | 39,878 | 2,445 |
| 2019 | 41,081 | 1,242 |
| Total | \$157,242 | \$12,050 |

NOTE 21 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balance | General | Playground and Recreation | Sewer and Water Capital Improvement | Other Governmental Funds |
|--|----------|---------------------------------|--|--------------------------------|
| Nonspendable for: | | | | |
| Prepaid Items | \$79,571 | \$0 | \$0 | \$0 |
| Unclaimed Monies | 8,461 | 0 | 0 | 0 |
| Total Nonspendable | 88,032 | 0 | 0 | 0 |
| Restricted for: | | | | |
| Capital Improvements | 0 | 0 | 6,341,610 | 461,693 |
| Cemetery Operations and Maintenance | 0 | 0 | 0 | 25,320 |
| Community Development | 0 | 0 | 0 | 783,089 |

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 21 - FUND BALANCE (continued)

| Fund Balance | General | Playground and Recreation | Sewer and Water Capital Improvement | Other Governmental Funds |
|--|--------------------|---------------------------------|--|--------------------------------|
| Restricted for (continued): | | | | |
| Court Operations | \$0 | \$0 | \$0 | \$277,428 |
| Debt Retirement | 0 | 0 | 0 | 73,381 |
| Playground and Recreation | 0 | 351,386 | 0 | 0 |
| Police and Fire Operations | 0 | 0 | 0 | 1,926,791 |
| Public Transit | 0 | 0 | 0 | 25,109 |
| Street Construction and Maintenance | 0 | 0 | 0 | 2,490,423 |
| Total Restricted | 0 | 351,386 | 6,341,610 | 6,063,234 |
| Committed to: | | | | |
| Equipment Replacement | 0 | 0 | 0 | 365,164 |
| Facility Replacement | 0 | 0 | 0 | 275,000 |
| Parking Enforcement and Maintenance | 223,942 | 0 | 0 | 0 |
| Roadway Replacement | 0 | 0 | 0 | 175,000 |
| Total Committed | 223,942 | 0 | 0 | 815,164 |
| Assigned for: | | | | |
| Debt Retirement | 0 | 0 | 0 | 125,525 |
| Payroll Stabilization | 150,000 | 0 | 0 | 0 |
| Projected Budget Shortage | 98,246 | 0 | 0 | 0 |
| Unpaid Obligations | 269,438 | 0 | 0 | 0 |
| Total Assigned | 517,684 | 0 | 0 | 125,525 |
| Unassigned (Deficit) | 2,904,241 | 0 | 0 | (271,331) |
| Total Fund Balance | \$3,733,899 | \$351,386 | \$6,341,610 | \$6,732,592 |

NOTE 22 - INTERFUND TRANSFERS

During 2015, the General Fund made transfers, in the amount of \$42,840, to other governmental funds for transit operations. Other governmental funds made transfers to the General Fund, in the amount of \$169,821; \$44,821 to close out a fund and \$125,000 to return unused monies for capital projects. Other governmental funds also made transfers to other governmental funds, in the amount of \$1,247,142; \$1,111,332 as debt payments came due, \$35,810 for transit operations, and \$100,000 to fund equipment capital maintenance.

During 2015, the Electric enterprise fund transferred capital assets, in the amount of \$37,355, to the Water enterprise fund.

NOTE 23 - INSURANCE POOLS

A. Buckeye Ohio Risk Management Agency (BORMA)

The Buckeye Ohio Risk Management Agency (BORMA) is a public entity shared risk pool among several cities in Northern Ohio. BORMA was formed as an Ohio not-for-profit corporation and operates a health insurance program and a property, crime, and liability insurance program. Each member appoints one person to represent the city on the Board of Directors for a term of one year for participation in the health insurance program and three years for participation in the property, crime, and liability insurance program. Each member city's control over the budgeting and financing of BORMA is limited to its voting authority and any representation it may have on the Board of Directors.

Participation in BORMA is by written application subject to approval of the Board of Directors and the payment of premiums. Member cities must remain members for cycles of three years. A member may withdraw from a program by giving a forty day notice prior to the beginning of the next cycle. BORMA did not have any outstanding debt obligations as of December 31, 2015. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., 1111 Superior Avenue, Suite 1601, Cleveland, Ohio 44114.

B. Ohio Rural Water Association Workers' Compensation Group Rating Plan

The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Rural Water Association Workers' Compensation Group Rating Plan is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating members. Financial information may be obtained from the Ohio Rural Water Association Workers' Compensation Group Rating Plan, 55 White Road, Zanesville, Ohio 43701.

NOTE 24 - JOINT VENTURES

A. Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The City is a participant, with thirty-five other subdivisions within the State of Ohio, in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis, the Ohio Municipal Electric Generation Agency Joint Venture (JV2). The City is both a financing participant and an owner participant with percentages of liability and ownership of 18.27 percent and 14.32 percent, respectively. Owner participants own undivided interests, as tenants in common, in JV2 in the amount of their respective project shares. Purchaser participants agree to purchase the output associated with their respective project shares, ownership of which is held in trust for such purchaser participants.

In accordance with the JV2 Agreement (Agreement), the participants jointly undertook (as either financing participants or non-financing participants and as either owner participants or purchaser participants) the acquisition, construction, and equipping of JV2, including such portions of JV2 as have been acquired, constructed, or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 24 - JOINT VENTURES (continued)

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015, the City had met its debt coverage obligation.

JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The project consists of 138.65 MW of distributed generation (of which 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net position will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. During 2011, AMP-Ohio retired the remaining balance of these bonds; however, the City is still responsible for paying the remainder of their obligation for this debt to AMP-Ohio. The City's net obligation for these bonds at December 31, 2015, was \$1,471,186 (including previous billings to members, interest payable, and debt service paid and collected).

The City's net investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's net investment in JV2 was \$2,375,378 at December 31, 2015. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

B. Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The City is a participant, with forty-one other subdivisions within the State of Ohio, in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia (on the Ohio River at the Belleville Locks and Dam) and receive electricity from its operation, the Ohio Municipal Electric Generation Agency Joint Venture (JV5). The City is a financing participant with an ownership percentage of 15.73 percent. Financing participants own undivided interests, as tenants in common, without right of partition in JV5.

In accordance with the JV5 Agreement (Agreement), the participants jointly undertook, as financing participants, the acquisition, construction, and equipping of JV5, including such portions of JV5 as have been acquired, constructed, or equipped by AMP-Ohio.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 24 - JOINT VENTURES (continued)

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV5 debt service and any other outstanding senior lien electric system revenue obligations. Upon dissolution of JV5, the net position will be shared by the participants on a percentage of ownership basis. As of December 31, 2015, the City had met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, JV5 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting participant's ownership share of the project in kilowatts ("Step Up Power"), provided that the sum of any such increases shall not exceed, without consent of the non-defaulting participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

JV5 was created to construct a 42 MW run-of-the-river hydroelectric plant (including 40 MW of backup generation) and associated transmission facilities and sells electricity from its operations to JV5 participants.

JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001, AMP-Ohio issued \$153,415,000 and \$13,899,981, respectively, of thirty year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the financing participants of JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds were used to construct the JV5 project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates, in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from 2005 through 2024. On February 15, 2014, all of the 2004 Certificates were redeemed from funds held under the trust agreement securing the 2004 Certificates and the proceeds of a promissory note issued to AMP-Ohio by JV5. This was accomplished with a draw on AMP-Ohio's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015, to \$49,803,187. AMP will continue to collect debt service from the JV5 participants until the note is paid in full.

The City's net investment and its share of operating results of JV5 are reported in the City's Electric enterprise fund. The City's net investment in JV5 was \$469,995 at December 31, 2015. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

Subsequent to year end, on January 19, 2016, JV5 issued the Beneficial Interest Refunding Certificates, in the amount of \$49,745,000, for the purpose of refunding the promissory note to AMP-Ohio in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 24 - JOINT VENTURES (continued)

C. Ohio Municipal Electric Generation Agency Joint Venture 6 (JV6)

The City is a participant, with nine other subdivisions within the State of Ohio, in a joint venture to provide low-polluting capacity electricity to the participants, the Ohio Municipal Electric Generation Agency Joint Venture (JV6). The City is a financing participant with a percentage of ownership of 56.94 percent. Financing participants own undivided interests, as tenants in common, in JV6 in the amount of their respective project shares.

In accordance with the JV6 Agreement (Agreement), the participants jointly undertook (as either financing participants or non-financing participants) the acquisition, construction, and equipping of JV6, including such portions of JV6 as have been acquired, constructed, or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Adjustable Rate Revenue Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV6 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015, the City had met its debt coverage obligation.

The Agreement provides that the failure of any JV6 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, JV6 may take certain actions, including the termination of a defaulting participant's entitlement to power. Each participant may purchase a pro rata share of the defaulting participant's entitlement to power, which together with the share of the other non-defaulting participants, is equal to the defaulting participant's ownership share of the project in kilowatts ("Step Up Power"), provided that the sum of any such increases shall not exceed, without consent of the non-defaulting participants, an accumulated maximum kilowatts equal to 25 percent of such non-defaulting participant's ownership share of the project prior to any such increases.

JV6 was created to provide for low-polluting capacity electricity through wind energy. The project consists of four wind turbines with a nominal capacity of 1.8 MW and related facilities. Upon dissolution of JV6, the net position will be shared by the participants on a percentage of ownership basis. JV6 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2004, AMP-Ohio issued \$9,861,000 of fifteen year adjustable rate bonds on behalf of the financing participants of JV6. The proceeds of the bond issue were contributed to JV6. On August 15, 2015, the remaining balance was paid on the JV6 Bonds.

The City's net investment and its share of the operating results of JV6 are reported in the City's Electric enterprise fund. The City's net investment in JV6 was \$3,278,466 at December 31, 2015. Complete financial statements for JV6 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

NOTE 25 - JOINTLY GOVERNED ORGANIZATION

The City participates in the Bowling Green Central Business Special Improvement District, Inc. (SID), a 501(c)(3) not-for-profit corporation established under Chapter 1710 of the Ohio Revised Code. The SID was created to encourage and participate in programs which maintain, improve, and expand the central business district as a viable business, cultural, and recreational community, to provide programming which will preserve the economic well-being and employment opportunities in the central business district, and to encourage and participate in programs to preserve the aesthetic, architectural, and historic character of the central business district.

The SID is governed by an eight member board of trustees consisting of the Chief Executive of the City of Bowling Green and seven members representing businesses within the SID. Financial information can be obtained from the Bowling Green Central Business Special Improvement District, Inc., 121 East Wooster Street, Bowling Green, Ohio 43402.

NOTE 26 - CONTINGENT LIABILITIES

There are currently no matters in litigation with the City as defendant.

For the period January 1, 2015, to December 31, 2015, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 27 - SUBSEQUENT EVENT

The City has placed a 2 mill property tax levy on the November 2016 ballot to provide additional resources for parks and recreation purposes.

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City of Bowling Green
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional
 Last Two Years (1)

| | 2014 | 2013 |
|---|--------------|-------------|
| City's Proportion of the Net Pension Liability | 0.08296200% | 0.08296200% |
| City's Proportionate Share of the Net Pension Liability | \$10,006,145 | \$9,780,139 |
| City's Covered Employee Payroll | \$10,171,425 | \$9,551,205 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll | 98.38% | 102.40% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.45% | 86.36% |

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior year end.

City of Bowling Green
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Two Years (1)

| | 2014 | 2013 |
|---|--------------|--------------|
| City's Proportion of the Net Pension Liability | 0.32675040% | 0.32675040% |
| City's Proportionate Share of the Net Pension Liability | \$16,927,033 | \$15,913,770 |
| City's Covered Employee Payroll | \$6,391,680 | \$7,493,314 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll | 264.83% | 212.37% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 72.20% | 73.00% |

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior year end.

City of Bowling Green
 Required Supplementary Information
 Schedule of the City's Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Three Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|--------------------|--------------------|--------------------|
| Contractually Required Contribution | \$1,275,059 | \$1,220,571 | \$1,241,657 |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,275,059)</u> | <u>(1,220,571)</u> | <u>(1,241,657)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Employee Payroll | \$10,625,493 | \$10,171,425 | \$9,551,205 |
| Contributions as a Percentage of Covered Employee Payroll | 12.00% | 12.00% | 13.00% |

(1) Information prior to 2013 is not available.

City of Bowling Green
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|--------------------|--------------------|--------------------|------------------|
| Contractually Required Contribution | \$1,528,568 | \$1,367,429 | \$1,358,420 | \$959,823 |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,528,568)</u> | <u>(1,367,429)</u> | <u>(1,358,420)</u> | <u>(959,823)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Employee Payroll | \$7,119,120 | \$6,391,680 | \$7,493,314 | \$6,317,014 |
| Contributions as a Percentage of Covered Employee Payroll | 21.47% | 21.39% | 18.13% | 15.19% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|--------------------|------------------|------------------|------------------|
| \$994,151 | \$982,342 | \$1,020,042 | \$963,878 | \$926,990 | \$842,449 |
| <u>(994,151)</u> | <u>(982,342)</u> | <u>(1,020,042)</u> | <u>(963,878)</u> | <u>(926,990)</u> | <u>(842,449)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$6,541,801 | \$6,479,219 | \$6,729,954 | \$6,314,667 | \$6,066,172 | \$5,907,695 |
| 15.20% | 15.16% | 15.16% | 15.26% | 15.28% | 14.26% |

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Comparative Enterprise Fund Financial Statements

City of Bowling Green
Comparative Statement of Fund Net Position
Enterprise Funds
December 31, 2015, and 2014

| | Electric | | Water | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| <u>Current Assets</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$24,107,312 | \$22,842,984 | \$4,982,444 | \$5,688,515 |
| Cash and Cash Equivalents with Fiscal Agents | 0 | 239,226 | 0 | 0 |
| Accounts Receivable | 5,672,315 | 5,509,317 | 416,989 | 418,400 |
| Due from Other Governments | 10,288 | 5,583 | 4,790 | 0 |
| Other Local Taxes Receivable | 109,726 | 135,540 | 0 | 0 |
| Interfund Receivable | 20,493 | 14,045 | 9,579 | 10,953 |
| Prepaid Items | 4,651,562 | 26,007 | 26,528 | 26,007 |
| Materials and Supplies Inventory | 1,225,776 | 1,171,026 | 120,509 | 112,874 |
| Total Current Assets | 35,797,472 | 29,943,728 | 5,560,839 | 6,256,749 |
| <u>Non-Current Assets</u> | | | | |
| Recovered Purchased Power Receivable | 967,090 | 1,018,047 | 0 | 0 |
| Nondepreciable Capital Assets | 1,274,414 | 1,339,082 | 6,173,679 | 3,458,744 |
| Depreciable Capital Assets, Net | 19,245,619 | 19,354,258 | 40,076,584 | 41,040,996 |
| Investment in Joint Venture | 6,123,839 | 7,825,257 | 0 | 0 |
| Total Non-Current Assets | 27,610,962 | 29,536,644 | 46,250,263 | 44,499,740 |
| Total Assets | 63,408,434 | 59,480,372 | 51,811,102 | 50,756,489 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Deferred Charge on Refunding | 0 | 0 | 28,789 | 29,095 |
| Pension | 434,150 | 292,937 | 271,344 | 183,086 |
| Total Deferred Outflows of Resources | 434,150 | 292,937 | 300,133 | 212,181 |
| <u>Current Liabilities</u> | | | | |
| Accrued Wages Payable | 90,212 | 79,798 | 56,660 | 53,764 |
| Accounts Payable | 3,564,813 | 2,074,188 | 139,705 | 740,642 |
| Contracts Payable | 23,946 | 85,704 | 29,289 | 0 |
| Due to Other Governments | 66,931 | 90,132 | 40,149 | 43,151 |
| Interfund Payable | 110,224 | 136,798 | 3,058 | 2,569 |
| Accrued Interest Payable | 2,866 | 3,269 | 1,217 | 1,408 |
| Notes Payable | 2,235,000 | 2,435,000 | 0 | 0 |
| Unearned Revenue | 0 | 90,147 | 0 | 0 |
| General Obligation Bonds Payable | 70,000 | 70,000 | 60,000 | 60,000 |
| Compensated Absences Payable | 212,619 | 200,226 | 124,404 | 133,393 |
| AMP Ohio Payable | 783,241 | 1,337,297 | 0 | 0 |
| Total Current Liabilities | 7,159,852 | 6,602,559 | 454,482 | 1,034,927 |
| <u>Non-Current Liabilities</u> | | | | |
| General Obligation Bonds Payable | 0 | 70,000 | 530,000 | 590,000 |
| Compensated Absences Payable | 316,576 | 314,766 | 162,670 | 138,646 |
| AMP Ohio Payable | 1,655,035 | 2,424,936 | 0 | 0 |
| Net Pension Liability | 2,401,475 | 2,347,233 | 1,500,922 | 1,467,021 |
| Total Non-Current Liabilities | 4,373,086 | 5,156,935 | 2,193,592 | 2,195,667 |
| Total Liabilities | 11,532,938 | 11,759,494 | 2,648,074 | 3,230,594 |

| Sewer | | Totals | |
|-------------|-------------|--------------|--------------|
| 2015 | 2014 | 2015 | 2014 |
| \$2,513,933 | \$2,740,914 | \$31,603,689 | \$31,272,413 |
| 0 | 0 | 0 | 239,226 |
| 455,075 | 417,884 | 6,544,379 | 6,345,601 |
| 2,987 | 672 | 18,065 | 6,255 |
| 0 | 0 | 109,726 | 135,540 |
| 0 | 0 | 30,072 | 24,998 |
| 26,513 | 25,992 | 4,704,603 | 78,006 |
| 0 | 0 | 1,346,285 | 1,283,900 |
| 2,998,508 | 3,185,462 | 44,356,819 | 39,385,939 |
| 0 | 0 | 967,090 | 1,018,047 |
| 2,305,046 | 2,274,064 | 9,753,139 | 7,071,890 |
| 44,793,024 | 45,206,410 | 104,115,227 | 105,601,664 |
| 0 | 0 | 6,123,839 | 7,825,257 |
| 47,098,070 | 47,480,474 | 120,959,295 | 121,516,858 |
| 50,096,578 | 50,665,936 | 165,316,114 | 160,902,797 |
| 100,988 | 101,894 | 129,777 | 130,989 |
| 253,254 | 170,880 | 958,748 | 646,903 |
| 354,242 | 272,774 | 1,088,525 | 777,892 |
| 56,301 | 54,008 | 203,173 | 187,570 |
| 98,886 | 667,924 | 3,803,404 | 3,482,754 |
| 0 | 9,049 | 53,235 | 94,753 |
| 57,000 | 63,793 | 164,080 | 197,076 |
| 22,234 | 15,259 | 135,516 | 154,626 |
| 4,259 | 4,968 | 8,342 | 9,645 |
| 0 | 0 | 2,235,000 | 2,435,000 |
| 0 | 0 | 0 | 90,147 |
| 220,000 | 220,000 | 350,000 | 350,000 |
| 117,290 | 123,735 | 454,313 | 457,354 |
| 0 | 0 | 783,241 | 1,337,297 |
| 575,970 | 1,158,736 | 8,190,304 | 8,796,222 |
| 1,850,000 | 2,070,000 | 2,380,000 | 2,730,000 |
| 193,989 | 206,401 | 673,235 | 659,813 |
| 0 | 0 | 1,655,035 | 2,424,936 |
| 1,400,861 | 1,369,219 | 5,303,258 | 5,183,473 |
| 3,444,850 | 3,645,620 | 10,011,528 | 10,998,222 |
| 4,020,820 | 4,804,356 | 18,201,832 | 19,794,444 |

(continued)

City of Bowling Green
Comparative Statement of Fund Net Position
Enterprise Funds
December 31, 2015, and 2014
(continued)

| | <u>Electric</u> | | <u>Water</u> | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| <u>Deferred Inflows of Resources</u> | | | | |
| Recovered Purchased Power | \$2,325,049 | \$3,069,311 | \$0 | \$0 |
| Pension | 42,189 | 0 | 26,368 | 0 |
| Total Deferred Inflows of Resources | <u>2,367,238</u> | <u>3,069,311</u> | <u>26,368</u> | <u>0</u> |
| <u>Net Position</u> | | | | |
| Net Investment in Capital Assets | 18,215,033 | 18,118,340 | 45,689,052 | 43,878,835 |
| Unrestricted | <u>31,727,375</u> | <u>26,826,164</u> | <u>3,747,741</u> | <u>3,859,241</u> |
| Total Net Position | <u>\$49,942,408</u> | <u>\$44,944,504</u> | <u>\$49,436,793</u> | <u>\$47,738,076</u> |

| Sewer | | Totals | |
|---------------------|---------------------|----------------------|----------------------|
| 2015 | 2014 | 2015 | 2014 |
| \$0 | \$0 | \$2,325,049 | \$3,069,311 |
| 24,610 | 0 | 93,167 | 0 |
| 24,610 | 0 | 2,418,216 | 3,069,311 |
| 45,129,058 | 45,292,368 | 109,033,143 | 107,289,543 |
| 1,276,332 | 841,986 | 36,751,448 | 31,527,391 |
| <u>\$46,405,390</u> | <u>\$46,134,354</u> | <u>\$145,784,591</u> | <u>\$138,816,934</u> |

City of Bowling Green
Comparative Statement of Revenues, Expenses, and Change in Fund Net Position
Enterprise Funds
For the Years Ended December 31, 2015, and 2014

| | Electric | | Water | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| <u>Operating Revenues</u> | | | | |
| Charges for Services | \$54,741,470 | \$49,962,127 | \$4,677,639 | \$4,616,349 |
| Other | 360,686 | 435,627 | 55,953 | 112,782 |
| Total Operating Revenues | <u>55,102,156</u> | <u>50,397,754</u> | <u>4,733,592</u> | <u>4,729,131</u> |
| <u>Operating Expenses</u> | | | | |
| Purchased Power | 43,321,356 | 42,428,317 | 0 | 0 |
| Plant Operation | 0 | 0 | 1,568,217 | 2,779,332 |
| Geographical Information Systems | 102,105 | 0 | 32,769 | 0 |
| Distribution Operation | 1,984,657 | 1,818,318 | 1,104,680 | 1,085,610 |
| Administrative and General | 1,598,205 | 1,405,730 | 620,716 | 629,926 |
| Information and Technology | 184,801 | 184,482 | 61,417 | 61,552 |
| Depreciation | 1,357,664 | 1,297,071 | 1,295,463 | 1,283,558 |
| Total Operating Expenses | <u>48,548,788</u> | <u>47,133,918</u> | <u>4,683,262</u> | <u>5,839,978</u> |
| Operating Income (Loss) | <u>6,553,368</u> | <u>3,263,836</u> | <u>50,330</u> | <u>(1,110,847)</u> |
| <u>Non-Operating Revenues (Expenses)</u> | | | | |
| Excise Taxes | 1,569,836 | 1,771,896 | 0 | 0 |
| Excise Taxes Expense | (1,569,836) | (1,771,896) | 0 | 0 |
| Interest Revenue | 0 | 324 | 5 | 181 |
| Interest Expense | (26,165) | (33,001) | (17,015) | (19,257) |
| Investment in Joint Venture | (1,701,418) | (1,670,014) | 0 | 0 |
| Total Non-Operating Revenues (Expenses) | <u>(1,727,583)</u> | <u>(1,702,691)</u> | <u>(17,010)</u> | <u>(19,076)</u> |
| Income (Loss) Before Contributions and Transfers | <u>4,825,785</u> | <u>1,561,145</u> | <u>33,320</u> | <u>(1,129,923)</u> |
| Capital Contributions | 209,474 | 0 | 1,628,042 | 2,501,449 |
| Transfers In | 0 | 0 | 37,355 | 0 |
| Transfers Out | (37,355) | 0 | 0 | 0 |
| Change in Net Position | <u>4,997,904</u> | <u>1,561,145</u> | <u>1,698,717</u> | <u>1,371,526</u> |
| Net Position Beginning of Year - Restated (Note 3) | <u>44,944,504</u> | n/a | <u>47,738,076</u> | n/a |
| Net Position End of Year | <u>\$49,942,408</u> | <u>\$44,944,504</u> | <u>\$49,436,793</u> | <u>\$47,738,076</u> |

| Sewer | | Totals | |
|--------------|--------------|---------------|---------------|
| 2015 | 2014 | 2015 | 2014 |
| \$3,646,759 | \$3,590,759 | \$63,065,868 | \$58,169,235 |
| 213,513 | 192,522 | 630,152 | 740,931 |
| 3,860,272 | 3,783,281 | 63,696,020 | 58,910,166 |
| 0 | 0 | 43,321,356 | 42,428,317 |
| 1,332,947 | 2,352,830 | 2,901,164 | 5,132,162 |
| 35,054 | 0 | 169,928 | 0 |
| 991,465 | 979,229 | 4,080,802 | 3,883,157 |
| 569,169 | 586,131 | 2,788,090 | 2,621,787 |
| 61,453 | 61,399 | 307,671 | 307,433 |
| 1,600,882 | 1,550,109 | 4,254,009 | 4,130,738 |
| 4,590,970 | 5,529,698 | 57,823,020 | 58,503,594 |
| (730,698) | (1,746,417) | 5,873,000 | 406,572 |
| 0 | 0 | 1,569,836 | 1,771,896 |
| 0 | 0 | (1,569,836) | (1,771,896) |
| 8 | 317 | 13 | 822 |
| (59,810) | (68,443) | (102,990) | (120,701) |
| 0 | 0 | (1,701,418) | (1,670,014) |
| (59,802) | (68,126) | (1,804,395) | (1,789,893) |
| (790,500) | (1,814,543) | 4,068,605 | (1,383,321) |
| 1,061,536 | 303,488 | 2,899,052 | 2,804,937 |
| 0 | 0 | 37,355 | 0 |
| 0 | 0 | (37,355) | 0 |
| 271,036 | (1,511,055) | 6,967,657 | 1,421,616 |
| 46,134,354 | n/a | 138,816,934 | n/a |
| \$46,405,390 | \$46,134,354 | \$145,784,591 | \$138,816,934 |

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2015, and 2014

| | Electric | | Water | |
|---|---------------------|---------------------|--------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 |
| <u>Increases (Decreases) in Cash and Cash Equivalents</u> | | | | |
| <u>Cash Flows from Operating Activities</u> | | | | |
| Cash Received from Customers | \$53,732,910 | \$49,895,786 | \$4,675,634 | \$4,730,780 |
| Cash Payments for Purchased Power | (45,899,619) | (43,542,101) | 0 | 0 |
| Cash Payments for Plant Operation | 0 | 0 | (2,135,785) | (2,219,767) |
| Cash Payments for Geographical Information Systems | (99,220) | 0 | (31,748) | 0 |
| Cash Payments for Distribution Operation | (3,977,322) | (3,617,462) | (1,121,873) | (1,057,854) |
| Cash Payments for Administrative and General | (1,598,810) | (1,341,647) | (629,375) | (611,713) |
| Cash Payments for Information and Technology | (184,717) | (195,682) | (61,393) | (65,349) |
| Cash Received from Other Revenues | 360,686 | 653,761 | 55,953 | 112,782 |
| Net Cash Provided by Operating Activities | <u>2,333,908</u> | <u>1,852,655</u> | <u>751,413</u> | <u>888,879</u> |
| <u>Cash Flows from Non-Capital Financing Activities</u> | | | | |
| Cash Received from Excise Taxes | 1,569,836 | 1,771,896 | 0 | 0 |
| Cash Payments for Excise Tax Distribution | (1,569,836) | (1,771,896) | 0 | 0 |
| Transfers Out | (37,355) | 0 | 0 | 0 |
| Net Cash Used for Noncapital Financing Activities | <u>(37,355)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | | |
| Principal Paid on Bond Anticipation Notes | (2,435,000) | (2,635,000) | 0 | 0 |
| Principal Paid on General Obligation Bonds | (70,000) | (70,000) | (60,000) | (60,000) |
| Interest Paid on Bond Anticipation Notes | (20,968) | (25,362) | 0 | 0 |
| Interest Paid on General Obligation Bonds | (5,600) | (8,400) | (16,900) | (19,138) |
| Bond Anticipation Notes Issued | 2,235,000 | 2,435,000 | 0 | 0 |
| Acquisition of Capital Assets | (974,883) | (883,711) | (1,380,589) | (427,651) |
| Net Cash Used for Capital and Related Financing Activities | <u>(1,271,451)</u> | <u>(1,187,473)</u> | <u>(1,457,489)</u> | <u>(506,789)</u> |
| <u>Cash Flows from Investing Activities</u> | | | | |
| Interest | 0 | 324 | 5 | 181 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,025,102 | 665,506 | (706,071) | 382,271 |
| Cash and Cash Equivalents Beginning of Year | <u>23,082,210</u> | <u>22,416,704</u> | <u>5,688,515</u> | <u>5,306,244</u> |
| Cash and Cash Equivalents End of Year | <u>\$24,107,312</u> | <u>\$23,082,210</u> | <u>\$4,982,444</u> | <u>\$5,688,515</u> |

| Sewer | | Totals | |
|--------------------|--------------------|---------------------|---------------------|
| 2015 | 2014 | 2015 | 2014 |
| \$3,607,253 | \$3,595,541 | \$62,015,797 | \$58,222,107 |
| 0 | 0 | (45,899,619) | (43,542,101) |
| (1,944,234) | (1,715,658) | (4,080,019) | (3,935,425) |
| (34,284) | 0 | (165,252) | 0 |
| (997,401) | (973,249) | (6,096,596) | (5,648,565) |
| (573,890) | (552,602) | (2,802,075) | (2,505,962) |
| (61,391) | (65,196) | (307,501) | (326,227) |
| 213,513 | 192,522 | 630,152 | 959,065 |
| 209,566 | 481,358 | 3,294,887 | 3,222,892 |
| 0 | 0 | 1,569,836 | 1,771,896 |
| 0 | 0 | (1,569,836) | (1,771,896) |
| 0 | 0 | (37,355) | 0 |
| 0 | 0 | (37,355) | 0 |
| 0 | 0 | (2,435,000) | (2,635,000) |
| (220,000) | (220,000) | (350,000) | (350,000) |
| 0 | 0 | (20,968) | (25,362) |
| (59,613) | (67,763) | (82,113) | (95,301) |
| 0 | 0 | 2,235,000 | 2,435,000 |
| (156,942) | (386,374) | (2,512,414) | (1,697,736) |
| (436,555) | (674,137) | (3,165,495) | (2,368,399) |
| 8 | 317 | 13 | 822 |
| (226,981) | (192,462) | 92,050 | 855,315 |
| 2,740,914 | 2,933,376 | 31,511,639 | 30,656,324 |
| <u>\$2,513,933</u> | <u>\$2,740,914</u> | <u>\$31,603,689</u> | <u>\$31,511,639</u> |

(continued)

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2015, and 2014
(continued)

| | Electric | | Water | |
|--|--------------------|--------------------|------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Operating Income (Loss) | \$6,553,368 | \$3,263,836 | \$50,330 | (\$1,110,847) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | |
| Depreciation | 1,357,664 | 1,297,071 | 1,295,463 | 1,283,558 |
| Changes in Assets and Liabilities: | | | | |
| (Increase) Decrease in Accounts Receivable | (162,998) | (596,987) | 1,411 | 115,134 |
| (Increase) Decrease in Due from Other Governments | (4,705) | (2,915) | (4,790) | 24 |
| Decrease in Other Local Taxes Receivable | 25,814 | 709 | 0 | 0 |
| (Increase) Decrease in Interfund Receivable | (6,448) | 5,195 | 1,374 | (727) |
| Increase in Prepaid Items | (4,625,555) | (2,940) | (521) | (2,925) |
| (Increase) Decrease in Materials and Supplies Inventory | (54,750) | (149,026) | (7,635) | 6,649 |
| (Increase) Decrease in Recovered Purchased Power Receivable | 50,957 | (21,437) | 0 | 0 |
| Increase in Accrued Wages Payable | 10,414 | 19,023 | 2,896 | 13,993 |
| Increase (Decrease) in Accounts Payable | 1,490,625 | (1,082,156) | (600,937) | 628,034 |
| Increase (Decrease) in Contracts Payable | (61,758) | (431,669) | 29,289 | (63,310) |
| Increase (Decrease) in Due to Other Government: | (23,201) | 26,501 | (3,002) | 7,228 |
| Increase (Decrease) in Interfund Payable | (26,574) | (635) | 489 | (3,622) |
| Increase (Decrease) in Unearned Revenue | (90,147) | 90,147 | 0 | 0 |
| Increase (Decrease) in Compensated Absences Payable | 14,203 | 33,370 | 15,035 | 15,690 |
| Decrease in AMP-Ohio Payable | (1,323,957) | (1,251,785) | 0 | 0 |
| Increase (Decrease) in Recovered Purchased Power Payable | (744,262) | 656,353 | 0 | 0 |
| Decrease in Net Pension Liability | (44,273) | 0 | (27,671) | 0 |
| Decrease in Deferred Outflows - Pension | 18,957 | 0 | 11,848 | 0 |
| Decrease in Deferred Inflows - Pension | (19,466) | 0 | (12,166) | 0 |
| Net Cash Provided by Operating Activities | <u>\$2,333,908</u> | <u>\$1,852,655</u> | <u>\$751,413</u> | <u>\$888,879</u> |

| Sewer | | Totals | |
|------------------|------------------|--------------------|--------------------|
| 2015 | 2014 | 2015 | 2014 |
| (\$730,698) | (\$1,746,417) | \$5,873,000 | \$406,572 |
| 1,600,882 | 1,550,109 | 4,254,009 | 4,130,738 |
| (37,191) | 4,867 | (198,778) | (476,986) |
| (2,315) | (85) | (11,810) | (2,976) |
| 0 | 0 | 25,814 | 709 |
| 0 | 0 | (5,074) | 4,468 |
| (521) | (2,910) | (4,626,597) | (8,775) |
| 0 | 0 | (62,385) | (142,377) |
| 0 | 0 | 50,957 | (21,437) |
| 2,293 | 12,078 | 15,603 | 45,094 |
| (569,038) | 626,311 | 320,650 | 172,189 |
| (9,049) | 7,596 | (41,518) | (487,383) |
| (6,793) | 24,721 | (32,996) | 58,450 |
| 6,975 | (863) | (19,110) | (5,120) |
| 0 | 0 | (90,147) | 90,147 |
| (18,857) | 5,951 | 10,381 | 55,011 |
| 0 | 0 | (1,323,957) | (1,251,785) |
| 0 | 0 | (744,262) | 656,353 |
| (25,825) | 0 | (97,769) | 0 |
| 11,058 | 0 | 41,863 | 0 |
| (11,355) | 0 | (42,987) | 0 |
| <u>\$209,566</u> | <u>\$481,358</u> | <u>\$3,294,887</u> | <u>\$3,222,892</u> |

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program or Cluster Title | Pass Through Entity Number | Federal CFDA Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|----------------------------------|---------------------------|---------------------------------------|-------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| Direct Assistance | | | | |
| Community Development Block Grants/Entitlement Grants | | | | |
| Entitlement Grant | | 14.218 | \$5,000 | \$229,540 |
| | | 14.218 | 1,500 | 48,957 |
| CDBG Revolving Loans | | 14.218 | | 300,156 |
| Total Community Development Block Grant/Entitlement Grants | | | <u>6,500</u> | <u>578,653</u> |
| <i>Passed through Ohio Development Services Agency</i> | | | | |
| Home Investment Partnerships Program Revolving Loans | N/A | 14.239 | | 29,355 |
| Total U.S. Department of Housing and Urban Development | | | <u>6,500</u> | <u>608,008</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | |
| <i>Passed Through Ohio Department of Transportation</i> | | | | |
| Formula Grants for Rural Areas | | | | |
| | RPTF-0093-034-143 | 20.509 | | 1,145 |
| | RPTF-4093-034-141 | 20.509 | | 27,965 |
| | RPTM-0093-035-152 | 20.509 | | 4,385 |
| | RPTF-4093-035-151 | 20.509 | | 223,763 |
| Total Formula Grants for Rural Areas | | | | <u>257,258</u> |
| Highway Planning and Construction Grant | | | | |
| | Grant Number 90659 | 20.205 | | 48,976 |
| | Grant Number 90658 | 20.205 | | 1,037,650 |
| Total Highway Planning and Construction Grant | | | | <u>1,086,626</u> |
| Total U.S. Department of Transportation | | | | <u>1,343,884</u> |
| Total Expenditures of Federal Awards | | | <u>\$6,500</u> | <u>\$1,951,892</u> |

Note: The accompanying notes are an integral part of this schedule.

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Bowling Green, Wood County, Ohio (the City's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The City passes certain federal awards received from the U.S. Department of Housing and Urban Development to not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property, business assets to include equipment, inventory and receivables, and personal assets. At December 31, 2015, the gross amounts of loans outstanding under this program were \$564,724.

NOTE E – DOWNPAYMENT ASSISTANCE (HOME) LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City, passed through the Ohio Department of Development. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest

**CITY OF BOWLING GREEN
WOOD COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2015, the gross amounts of loans outstanding under this program were \$47,472. The City made no new loans under this program in 2015.

NOTE F – DOWN-PAYMENT ASSISTANCE AND/OR OWNER-OCCUPIED REHABILITATION

The City has established a revolving loan program to provide zero interest, forgivable, deferred payment loans to low-moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) granted money for these loans to the City, passed through the Ohio Department of Development. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, and are also included as disbursements on the Schedule.

The City worked with one property with program costs totaling \$27,145 and \$2,210 in administrative expenditures under this program in 2015.

NOTE G - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Bowling Green
Wood County
304 North Church Street
Bowling Green, Ohio 43402-2399

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Wood County, Ohio (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 19, 2016, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 19, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Bowling Green
Wood County
304 North Church Street
Bowling Green, Ohio 43402-2399

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Bowling Green, Wood County, Ohio's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Bowling Green's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Bowling Green, Wood County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 19, 2016

**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material weaknesses in internal control reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Highway Planning and Construction Grant - CFDA #20.205 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR §200.520? | Yes |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2015-001

Material Weakness – Monitoring Financial Activity

The City's management is responsible for the fair presentation of the financial statements. Due to insufficient monitoring by management, material errors were noted which required audit adjustments. The financial statements have been adjusted to reflect the errors as follows:

Prior year encumbrances were not included in the Playground and Recreation Fund's budget and actual financial statement; therefore, the original budgeted disbursement amount was understated by \$241,970.

The Electric Fund had prepaid power costs in the amount of \$4,625,034 which were not included on the financial statements.

In the Sewer and Water Capital Improvement Fund, an OPWC grant was recorded on the financial statements as an OPWC loan instead of a grant in the amount of \$43,172.

To ensure the City's financial statements and notes to the financial statements are complete and accurate, we recommend Council adopt policies and procedures, including a final review of the annual report to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None

**CITY OF BOWLING GREEN
WOOD COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
December 31, 2015**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|--|---|-----------------------------------|
| 2015-001 | The City will review the financial statements with the team that completes the statement conversion from cash to an accrual basis. This review will occur prior to the final submission of the statements. | The next statement completion date in early 2017. | Finance Director Brian Bushong |

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Dave Yost • Auditor of State

CITY OF BOWLING GREEN

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 6, 2016**