



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, 2016, 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 such 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 overall financial statement presentation.

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

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, 2016, 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.

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 20, 2017, 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 20, 2017

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City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2016
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, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2016 are as follows:

In total, the City's net position increased \$3,044,922, almost 2 percent. Governmental activities decreased nearly 14 percent and business-type activities increased 4 percent.

A review of the enterprise funds reflects an operating income for the Electric Fund and an operating loss for the Water Fund and Sewer Fund. However, the Water 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 one and one-half percent income tax that is divided by ordinance between various funds, the Sewer and Water Improvement Fund receives 33 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 2016. 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, 2016
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
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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 2016 and 2015.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>Assets</u>						
Current and Other Assets	\$27,850,409	\$25,748,771	\$46,289,576	\$45,181,008	\$74,139,985	\$70,929,779
Capital Assets, Net	44,660,536	46,237,253	116,522,935	113,868,366	161,183,471	160,105,619
Investment in Joint Venture	0	0	5,484,502	6,123,839	5,484,502	6,123,839
Total Assets	<u>72,510,945</u>	<u>71,986,024</u>	<u>168,297,013</u>	<u>165,173,213</u>	<u>240,807,958</u>	<u>237,159,237</u>
<u>Deferred Outflows of Resources</u>						
Pension	7,542,570	3,108,316	3,357,152	958,748	10,899,722	4,067,064
Other Amounts	230,828	232,697	128,565	129,777	359,393	362,474
Total Deferred Outflows of Resources	<u>7,773,398</u>	<u>3,341,013</u>	<u>3,485,717</u>	<u>1,088,525</u>	<u>11,259,115</u>	<u>4,429,538</u>
<u>Liabilities</u>						
Current and Other Liabilities	3,514,320	2,538,966	5,175,112	6,467,234	8,689,432	9,006,200
Long-Term Liabilities						
Pension	27,783,167	21,629,920	8,133,224	5,303,258	35,916,391	26,933,178
Other Amounts	28,765,424	28,558,355	5,215,118	6,295,824	33,980,542	34,854,179
Total Liabilities	<u>60,062,911</u>	<u>52,727,241</u>	<u>18,523,454</u>	<u>18,066,316</u>	<u>78,586,365</u>	<u>70,793,557</u>
<u>Deferred Inflows of Resources</u>						
Pension	235,526	82,621	157,149	93,167	392,675	175,788
Other Amounts	2,601,354	2,325,096	1,472,472	2,325,049	4,073,826	4,650,145
Total Deferred Inflows of Resources	<u>2,836,880</u>	<u>2,407,717</u>	<u>1,629,621</u>	<u>2,418,216</u>	<u>4,466,501</u>	<u>4,825,933</u>
<u>Net Position</u>						
Net Investment in Capital Assets	35,924,562	36,102,708	114,093,936	109,033,143	150,018,498	145,135,851
Restricted	14,865,183	14,093,978	0	0	14,865,183	14,093,978
Unrestricted (Deficit)	<u>(33,405,193)</u>	<u>(30,004,607)</u>	<u>37,535,719</u>	<u>36,744,063</u>	<u>4,130,526</u>	<u>6,739,456</u>
Total Net Position	<u>\$17,384,552</u>	<u>\$20,192,079</u>	<u>\$151,629,655</u>	<u>\$145,777,206</u>	<u>\$169,014,207</u>	<u>\$165,969,285</u>

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The net pension liability reported by the City at December 31, 2016, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". 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.

GASB Statement No. 68 requires the net pension liability to equal 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
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Pension related changes noted in the above table for both governmental and business-type activities reflect a significant increase in deferred outflows due to an increase in the difference between projected and actual earnings on investments related to the net pension liability. The increase in the net pension liability represents the City's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

For governmental activities, there was a sizable increase in current and other assets. There was an increase in cash and cash equivalents of \$2.2 million which was partially offset by a decrease in income taxes receivable of \$1.9 million. These changes were affected by the adoption of HB 5 which altered the collection of income taxes from quarterly to monthly, thus affecting the collection timing and the accrual amount at year end. There was an increase in the amount due from other governments of \$1.3 million for resources to be received from the Ohio Water Development Authority for work on the water treatment reservoir pump station project---this is offset by a corresponding increase in contracts payable (current and other liabilities) for the payables at year end related to the project. Current and other liabilities was also impacted by a \$600,000 decrease in notes payable as this debt was paid off in 2016. The other change of note for governmental activities is the decrease in net capital assets and the investment in capital assets due to annual depreciation and the disposal of assets.

The increase in current and other assets for business-type activities was primarily due to an increase in accounts receivable resulting from a change in the structure of the billing process (i.e., a receivable at the reading date). The increase in net capital assets and the investment in capital assets was due to \$4.9 million in capital contributions and cash acquisitions. The decrease in current and other liabilities was primarily due to the retirement of notes payable.

Table 2 reflects the change in net position for 2016 and 2015.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$4,027,056	\$4,034,964	\$70,415,199	\$64,635,704	\$74,442,255	\$68,670,668
Operating Grants, Contributions, and Interest	1,897,600	1,968,697	0	0	1,897,600	1,968,697
Capital Grants and Contributions	895,580	1,465,263	0	290,941	895,580	1,756,204
Total Program Revenues	<u>6,820,236</u>	<u>7,468,924</u>	<u>70,415,199</u>	<u>64,926,645</u>	<u>77,235,435</u>	<u>72,395,569</u>
General Revenues						
Property Taxes-General Purposes	1,504,643	1,500,063	0	0	1,504,643	1,500,063
Property Taxes-Playground and Recreation	834,878	831,257	0	0	834,878	831,257
Municipal Income Taxes	19,301,921	19,026,196	0	0	19,301,921	19,026,196
Other Local Taxes	2,040,622	1,933,949	0	0	2,040,622	1,933,949
Grants and Entitlements not Restricted to Specific Programs	823,885	874,126	0	0	823,885	874,126
Franchise Taxes	291,848	282,003	0	0	291,848	282,003
Interest	426,636	364,743	0	13	426,636	364,756
Other	334,066	176,226	556,781	630,152	890,847	806,378
Total General Revenues	<u>25,558,499</u>	<u>24,988,563</u>	<u>556,781</u>	<u>630,165</u>	<u>26,115,280</u>	<u>25,618,728</u>
Total Revenues	<u>32,378,735</u>	<u>32,457,487</u>	<u>70,971,980</u>	<u>65,556,810</u>	<u>103,350,715</u>	<u>98,014,297</u>

(continued)

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$6,519,207	\$5,793,100	\$0	\$0	\$6,519,207	\$5,793,100
Fire/Ambulance	7,171,342	6,115,860	0	0	7,171,342	6,115,860
Public Health	88,801	75,996	0	0	88,801	75,996
Leisure Time Activities	2,623,633	2,441,702	0	0	2,623,633	2,441,702
Community Environment	966,775	898,650	0	0	966,775	898,650
Basic Utility Services	672,832	660,101	0	0	672,832	660,101
Transportation	6,675,622	6,303,489	0	0	6,675,622	6,303,489
General Government						
Court	1,662,281	1,615,273	0	0	1,662,281	1,615,273
Other	3,228,427	3,657,787	0	0	3,228,427	3,657,787
Internal Service Fund External Portion	22,994	24,622	0	0	22,994	24,622
Interest and Fiscal Charges	625,925	767,993	0	0	625,925	767,993
Electric	0	0	58,294,629	51,845,594	58,294,629	51,845,594
Water	0	0	5,998,847	4,698,628	5,998,847	4,698,628
Sewer	0	0	5,754,478	4,648,330	5,754,478	4,648,330
Total Expenses	<u>30,257,839</u>	<u>28,354,573</u>	<u>70,047,954</u>	<u>61,192,552</u>	<u>100,305,793</u>	<u>89,547,125</u>
Increase in Net Position						
Before Transfers	2,120,896	4,102,914	924,026	4,364,258	3,044,922	8,467,172
Transfers	<u>(4,928,423)</u>	<u>(2,608,111)</u>	<u>4,928,423</u>	<u>2,608,111</u>	<u>0</u>	<u>0</u>
Increase in Net Position	<u>(2,807,527)</u>	<u>1,494,803</u>	<u>5,852,449</u>	<u>6,972,369</u>	<u>3,044,922</u>	<u>8,467,172</u>
Net Position Beginning of Year	20,192,079	18,697,276	145,777,206	138,804,837	165,969,285	157,502,113
Net Position End of Year	<u>\$17,384,552</u>	<u>\$20,192,079</u>	<u>\$151,629,655</u>	<u>\$145,777,206</u>	<u>\$169,014,207</u>	<u>\$165,969,285</u>

For governmental activities, the decrease in program revenues for 2016 was largely due to resources received from the Ohio Department of Transportation for street projects in the prior year. General revenues were fairly similar to the prior year with a modest increase of 2 percent. Expenses for governmental activities increased almost 7 percent overall with modest increases in most programs, salary and benefit increases make up a significant portion of these changes.

As expected, program revenues make up a significant portion of the total revenues for business-type activities (99 percent). Charges for services increased in all three utilities with the largest increase reflected in the electric utility; as purchase of power costs increase so must charges for services revenue increase to offset that cost. There was also an increase in expenses for all three utilities. In the Electric Fund, the cost of purchased power (the City does not generate its own electricity; it purchases it on the open market) and distribution costs increased. For the Water Fund, the most significant increase in costs was related to plant operation. Plant operation and distribution costs were the most significant changes in the Sewer Fund.

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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	
	2016	2015	2016	2015
Security of Persons and Property				
Police	\$6,519,207	\$5,793,100	\$6,181,513	\$5,492,047
Fire/Ambulance	7,171,342	6,115,860	6,627,640	5,529,013
Public Health	88,801	75,996	25,482	30,126
Leisure Time Activities	2,623,633	2,441,702	1,627,394	1,411,463
Community Environment	966,775	898,650	707,839	586,160
Basic Utility Services	672,832	660,101	335,753	526,405
Transportation	6,675,622	6,303,489	4,068,166	2,949,666
General Government				
Court	1,662,281	1,615,273	269,111	274,128
Other	3,228,427	3,657,787	2,973,394	3,323,884
Internal Service Fund External Portion	22,994	24,622	(4,614)	(5,236)
Interest and Fiscal Charges	625,925	767,993	625,925	767,993
Total Expenses	\$30,257,839	\$28,354,573	\$23,437,603	\$20,885,649

For 2016, general revenues provided for 77 percent of the costs of providing governmental activities services (74 percent in 2015). Note that general revenues provide for most of the costs of providing police, fire, and ambulance services (94 percent paid from general revenues). The programs receiving significant support through program revenues in 2016 included the leisure time activities, community environment, and transportation 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 2016, the General Fund had a 25 percent increase in fund balance primarily due to an increase in income tax revenues. Expenditures were very similar to the prior year.

The decrease in fund balance in the Playground and Recreation Fund was primarily due to resources transferred to make debt payments.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The Sewer and Water Capital Improvement Fund had an increase in fund balance despite the increase in expenditures exceeding the increase in revenues. Expenditures fluctuate annually 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 Fund, while the Water and Sewer funds had an operating loss in 2016.

Net position increased over 6 percent in the Electric Fund despite the increase in expenses exceeding the increase in revenues. Revenues increased almost \$5 million while expenses increased \$7.5 million. Charge for services and purchased power costs increased by a similar amount, \$5 million, as charges are adjusted to recover the costs of acquiring electricity on the open market. The remainder of the increase in expenses was primarily related to distribution costs.

The increase in net position in the Water Fund was due to capital contributions as revenues and expenses increased by a similar amount.

Although there was a decrease in net position in the Sewer Fund, the decrease was less than 2 percent, not a significant amount.

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, 2016, was \$35,924,562 and \$114,093,936, 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 consisted primarily of a nature center, athletic fields, a salt storage facility, miscellaneous equipment, an ambulance, a dump truck, and street improvements. The most significant additions for business-type activities were the construction of a reservoir pump station at the water treatment plant, transformer replacement, a reverse osmosis system, and electric, water, and sewer lines. For further information regarding the City's capital assets, refer to Note 10 to the basic financial statements.

City of Bowling Green
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Debt - At December 31, 2016, the City had \$8,715,000 in general obligation bonds and \$18,196,367 in OWDA loans payable from governmental activities. Business-type activities had \$2,380,000 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio \$756,859, 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 \$917,101 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 17, 18, and 19 to the basic financial statements.

CURRENT ISSUES

On the heels of the future land use plan passed in 2014, City Council and the City administration are conducting a housing market study and a neighborhood revitalization plan that should be completed in 2017. The purpose of the study is to gauge the housing stock in the City and determine a plan for areas that need attention.

The park and recreation department passed a new five year 2 mill park levy with payment beginning in 2017. This new levy replaced 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 2018. The City will be looking to issue debt for this project early in 2018.

In cooperation with American Municipal Power (AMP), the City 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 the City has agreed to utilize up to 13.74 megawatts of that capacity. The field began generating electricity in January 2017.

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 43402-2399.

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City of Bowling Green
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$18,871,993	\$30,756,093	\$49,628,086
Cash and Cash Equivalents in Segregated Accounts	4,143	0	4,143
Accounts Receivable	647,625	8,652,732	9,300,357
Accrued Interest Receivable	130,768	0	130,768
Due from Other Governments	2,389,391	1,081	2,390,472
Municipal Income Taxes Receivable	1,891,710	0	1,891,710
Other Local Taxes Receivable	60,101	116,160	176,261
Internal Balances	122,713	(122,713)	0
Prepaid Items	293,500	4,816,434	5,109,934
Materials and Supplies Inventory	0	1,152,688	1,152,688
Property Taxes Receivable	2,616,165	0	2,616,165
Notes Receivable	579,304	0	579,304
Special Assessments Receivable	242,996	0	242,996
Recovered Purchased Power Receivable	0	917,101	917,101
Nondepreciable Capital Assets	5,132,176	14,556,347	19,688,523
Depreciable Capital Assets, Net	39,528,360	101,966,588	141,494,948
Investment in Joint Venture	0	5,484,502	5,484,502
Total Assets	72,510,945	168,297,013	240,807,958
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding Pension	230,828	128,565	359,393
	7,542,570	3,357,152	10,899,722
Total Deferred Outflows of Resources	7,773,398	3,485,717	11,259,115
<u>Liabilities</u>			
Accrued Wages Payable	544,655	236,698	781,353
Accounts Payable	948,318	4,636,533	5,584,851
Contracts Payable	1,550,502	179,176	1,729,678
Due to Other Governments	323,378	118,129	441,507
Matured Compensated Absences Payable	27,380	0	27,380
Accrued Interest Payable	18,455	4,576	23,031
Retainage Payable	101,632	0	101,632
Long-Term Liabilities			
Due Within One Year	2,612,602	1,522,381	4,134,983
Due in More Than One Year			
Net Pension Liability	27,783,167	8,133,224	35,916,391
Other Amounts Due in More Than One Year	26,152,822	3,692,737	29,845,559
Total Liabilities	60,062,911	18,523,454	78,586,365
<u>Deferred Inflows of Resources</u>			
Property Taxes	2,601,354	0	2,601,354
Recovered Purchased Power	0	1,472,472	1,472,472
Pension	235,526	157,149	392,675
Total Deferred Inflows of Resources	2,836,880	1,629,621	4,466,501
<u>Net Position</u>			
Net Investment in Capital Assets	35,924,562	114,093,936	150,018,498
Restricted for			
Debt Service	293,133	0	293,133
Capital Projects	10,169,435	0	10,169,435
Street Maintenance and Repair	1,218,649	0	1,218,649
Community Development	751,487	0	751,487
Security of Persons and Property - Police	565,170	0	565,170
Security of Persons and Property - Fire	748,819	0	748,819
Other Purposes	1,118,490	0	1,118,490
Unrestricted (Deficit)	(33,405,193)	37,535,719	4,130,526
Total Net Position	\$17,384,552	\$151,629,655	\$169,014,207

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$6,519,207	\$243,233	\$94,461	\$0
Fire/Ambulance	7,171,342	543,702	0	0
Public Health	88,801	63,319	0	0
Leisure Time Activities	2,623,633	931,355	39,593	25,291
Community Environment	966,775	23,066	235,870	0
Basic Utility Services	672,832	4,305	0	332,774
Transportation	6,675,622	741,161	1,328,780	537,515
General Government				
Court	1,662,281	1,206,990	186,180	0
Other	3,228,427	242,317	12,716	0
Internal Service Fund				
External Portion	22,994	27,608	0	0
Interest and Fiscal Charges	625,925	0	0	0
Total Governmental Activities	30,257,839	4,027,056	1,897,600	895,580
<u>Business-Type Activities</u>				
Electric	58,294,629	61,425,662	0	0
Water	5,998,847	5,148,006	0	0
Sewer	5,754,478	3,841,531	0	0
Total Business-Type Activities	70,047,954	70,415,199	0	0
Total	\$100,305,793	\$74,442,255	\$1,897,600	\$895,580

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

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
(\$6,181,513)	\$0	(\$6,181,513)
(6,627,640)	0	(6,627,640)
(25,482)	0	(25,482)
(1,627,394)	0	(1,627,394)
(707,839)	0	(707,839)
(335,753)	0	(335,753)
(4,068,166)	0	(4,068,166)
(269,111)	0	(269,111)
(2,973,394)	0	(2,973,394)
4,614	0	4,614
(625,925)	0	(625,925)
(23,437,603)	0	(23,437,603)
0	3,131,033	3,131,033
0	(850,841)	(850,841)
0	(1,912,947)	(1,912,947)
0	367,245	367,245
(23,437,603)	367,245	(23,070,358)
1,504,643	0	1,504,643
834,878	0	834,878
7,238,220	0	7,238,220
482,549	0	482,549
4,825,481	0	4,825,481
4,825,480	0	4,825,480
1,930,191	0	1,930,191
2,040,622	0	2,040,622
823,885	0	823,885
291,848	0	291,848
426,636	0	426,636
334,066	556,781	890,847
25,558,499	556,781	26,115,280
(4,928,423)	4,928,423	0
20,630,076	5,485,204	26,115,280
(2,807,527)	5,852,449	3,044,922
20,192,079	145,777,206	165,969,285
\$17,384,552	\$151,629,655	\$169,014,207

City of Bowling Green
Balance Sheet
Governmental Funds
December 31, 2016

	General	Playground and Recreation	Sewer and Water Capital Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$4,579,786	\$314,046	\$7,580,118	\$6,228,910	\$18,702,860
Cash and Cash Equivalents in Segregated Accounts	0	0	0	4,143	4,143
Accounts Receivable	639,769	0	0	0	639,769
Accrued Interest Receivable	130,768	0	0	0	130,768
Due from Other Governments	482,998	9,418	1,351,734	545,142	2,389,292
Municipal Income Taxes Receivable	709,391	47,293	472,927	662,099	1,891,710
Other Local Taxes Receivable	45,031	0	0	15,070	60,101
Interfund Receivable	116,160	0	0	275,000	391,160
Prepaid Items	216,209	15,371	0	60,026	291,606
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	49,933	0	0	0	49,933
Property Taxes Receivable	1,519,687	844,070	0	252,408	2,616,165
Notes Receivable	0	0	0	579,304	579,304
Special Assessments Receivable	0	0	0	242,996	242,996
Total Assets	\$8,489,732	\$1,230,198	\$9,404,779	\$8,865,098	\$27,989,807
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$361,443	\$8,142	\$0	\$170,622	\$540,207
Accounts Payable	604,173	39,722	112,040	183,715	939,650
Contracts Payable	0	0	1,513,385	37,117	1,550,502
Due to Other Governments	165,574	14,673	1,036	141,304	322,587
Matured Compensated Absences Payable	27,380	0	0	0	27,380
Interfund Payable	4,563	164	3,062	283,090	290,879
Retainage Payable	0	0	6,615	95,017	101,632
Total Liabilities	1,163,133	62,701	1,636,138	910,865	3,772,837
<u>Deferred Inflows of Resources</u>					
Property Taxes	1,510,961	839,330	0	251,063	2,601,354
Unavailable Revenue	1,156,057	19,422	105,054	778,826	2,059,359
Total Deferred Inflows of Resources	2,667,018	858,752	105,054	1,029,889	4,660,713
<u>Fund Balance</u>					
Nonspendable	266,142	15,371	0	60,026	341,539
Restricted	0	293,374	7,663,587	6,348,150	14,305,111
Committed	218,899	0	0	707,639	926,538
Assigned	1,463,113	0	0	80,224	1,543,337
Unassigned (Deficit)	2,711,427	0	0	(271,695)	2,439,732
Total Fund Balance	4,659,581	308,745	7,663,587	6,924,344	19,556,257
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$8,489,732	\$1,230,198	\$9,404,779	\$8,865,098	\$27,989,807

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, 2016

Total Governmental Fund Balance		\$19,556,257
<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	44,660,536	
Internal Service Fund	(12,173)	
		44,648,363
<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>		
		230,828
<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	569,433	
Accrued Interest Receivable	115,617	
Due from Other Governments	877,034	
Municipal Income Taxes Receivable	210,561	
Other Local Taxes Receivable	28,907	
Delinquent Property Taxes Receivable	14,811	
Special Assessments Receivable	242,996	
		2,059,359
<p>An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.</p>		
		3,232
<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	7,542,570	
Deferred Outflows - Pension - Internal Service Fund	(58,639)	
Deferred Inflows - Pension	(235,526)	
Deferred Inflows - Pension - Internal Service Fund	2,857	
Net Pension Liability	(27,783,167)	
Net Pension Liability - Internal Service Fund	147,877	
		(20,384,028)
<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	(18,455)	
General Obligation Bonds Payable	(8,715,000)	
OWDA Loans Payable	(18,196,367)	
Compensated Absences Payable	(1,734,389)	
Compensated Absences Payable - Internal Service Fund	8,849	
Capital Leases Payable	(119,668)	
		(28,775,030)
<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>		
		45,571
Net Position of Governmental Activities		\$17,384,552

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, 2016

	General	Playground and Recreation	Sewer and Water Capital Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$1,509,982	\$585,621	\$0	\$250,976	\$2,346,579
Municipal Income Taxes	7,875,838	525,056	5,250,559	7,350,783	21,002,236
Other Local Taxes	2,318,406	0	0	183,150	2,501,556
Special Assessments	0	0	0	53,711	53,711
Charges for Services	1,927,891	931,355	0	177,062	3,036,308
Fees, Licenses, and Permits	31,782	0	8,729	13,149	53,660
Fines and Forfeitures	508,726	0	0	234,588	743,314
Intergovernmental	1,135,640	59,566	271,631	2,037,315	3,504,152
Interest	365,687	0	0	17,264	382,951
Other	85,421	127,378	35,890	85,377	334,066
Total Revenues	15,759,373	2,228,976	5,566,809	10,403,375	33,958,533
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	4,282,117	0	0	1,459,747	5,741,864
Fire	2,384,352	0	0	3,462,638	5,846,990
Ambulance	125,971	0	0	0	125,971
Public Health	79,169	0	0	2,000	81,169
Leisure Time Activities	3,200	2,222,867	0	0	2,226,067
Community Environment	703,920	0	0	242,979	946,899
Basic Utility Services	656,837	0	0	0	656,837
Transportation	2,581,162	0	0	2,814,673	5,395,835
General Government					
Court	1,283,916	0	0	194,287	1,478,203
Other	2,703,916	15,750	157,496	280,682	3,157,844
Capital Outlay	0	0	4,793,793	617,453	5,411,246
Debt Service					
Principal Retirement	0	0	1,704,011	932,574	2,636,585
Interest and Fiscal Charges	5,316	0	360,268	261,405	626,989
Total Expenditures	14,809,876	2,238,617	7,015,568	10,268,438	34,332,499
Excess of Revenues Over (Under) Expenditures	949,497	(9,641)	(1,448,759)	134,937	(373,966)
<u>Other Financing Sources (Uses)</u>					
OWDA Loans Issued	0	0	2,770,736	0	2,770,736
Transfers In	33,000	0	0	1,348,005	1,381,005
Transfers Out	(56,815)	(33,000)	0	(1,291,190)	(1,381,005)
Total Other Financing Sources (Uses)	(23,815)	(33,000)	2,770,736	56,815	2,770,736
Change in Fund Balance	925,682	(42,641)	1,321,977	191,752	2,396,770
Fund Balance Beginning of Year	3,733,899	351,386	6,341,610	6,732,592	17,159,487
Fund Balance End of Year	\$4,659,581	\$308,745	\$7,663,587	\$6,924,344	\$19,556,257

See Accompanying Notes to the Basic Financial Statement:

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, 2016

Change in Fund Balance - Total Governmental Funds: \$2,396,770

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	2,120,030	
Depreciation	(3,330,825)	
Depreciation - Internal Service Fund	<u>7,813</u>	(1,202,982)

The cost of the capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (365,922)

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

Property Taxes	(7,058)	
Municipal Income Taxes	(1,700,315)	
Other Local Taxes	14,064	
Special Assessments	(42,061)	
Charges for Services	(19,350)	
Intergovernmental	86,920	
Fines and Forfeitures	(555)	
Interest	<u>60,949</u>	(1,607,406)

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	895,000	
OWDA Loans Payable	1,704,011	
Capital Leases Payable	<u>37,574</u>	2,636,585

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. (2,770,736)

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	2,933	
Amortization of Deferred Charge on Refunding	<u>(1,869)</u>	1,064

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	(72,918)	
Compensated Absences Payable - Internal Service Fund	<u>(440)</u>	(73,358)

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	(3,947,426)	
Pension Expense - Internal Service Fund	<u>21,619</u>	(3,925,807)

(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, 2016
 (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	\$2,075,528	
Contractually Required Contributions - Internal Service Fund	<u>(13,253)</u>	2,062,275

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.

37,376

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.

4,614

Change in Net Position of Governmental Activities

(\$2,807,527)

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$1,488,869	\$1,487,328	\$1,509,982	\$22,654
Other Local Taxes	2,357,000	2,357,000	2,327,323	(29,677)
Charges for Services	1,760,300	1,760,300	1,810,501	50,201
Fees, Licenses, and Permits	30,700	30,700	31,782	1,082
Fines and Forfeitures	390,000	390,000	389,330	(670)
Intergovernmental	1,099,541	1,159,469	1,130,045	(29,424)
Interest	400,000	400,000	458,735	58,735
Other	70,250	73,250	43,881	(29,369)
Total Revenues	7,596,660	7,658,047	7,701,579	43,532
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	4,383,699	4,386,819	4,339,811	47,008
Fire	2,316,000	2,483,368	2,458,944	24,424
Ambulance	159,409	148,121	141,726	6,395
Public Health	86,726	86,726	78,710	8,016
Community Environment	738,820	771,831	741,887	29,944
Basic Utility Services	701,670	703,552	681,459	22,093
Transportation	2,747,541	2,732,843	2,679,532	53,311
General Government				
Court	1,344,796	1,332,569	1,293,080	39,489
Other	2,391,241	2,325,117	2,275,812	49,305
Total Expenditures	14,869,902	14,970,946	14,690,961	279,985
Excess of Revenues Under Expenditures	(7,273,242)	(7,312,899)	(6,989,382)	323,517
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	12,000	12,000	0	(12,000)
Bond Anticipation Notes Issued	200,000	0	0	0
Advances Out	0	(267,000)	(267,000)	0
Transfers In	6,970,980	7,512,166	7,516,434	4,268
Transfers Out	(295,975)	(295,975)	(295,975)	0
Total Other Financing Sources (Uses)	6,887,005	6,961,191	6,953,459	(7,732)
Change in Fund Balance	(386,237)	(351,708)	(35,923)	315,785
Fund Balance Beginning of Year	3,172,275	3,172,275	3,172,275	0
Prior Year Encumbrances Appropriated	387,159	387,159	387,159	0
Fund Balance End of Year	\$3,173,197	\$3,207,726	\$3,523,511	\$315,785

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$575,182	\$575,182	\$585,621	\$10,439
Municipal Income Taxes	480,375	517,875	529,069	11,194
Charges for Services	990,250	990,250	931,355	(58,895)
Intergovernmental	115,005	115,005	59,566	(55,439)
Other	188,495	188,495	127,378	(61,117)
Total Revenues	2,349,307	2,386,807	2,232,989	(153,818)
<u>Expenditures</u>				
Current:				
Leisure Time Activities	2,455,350	2,455,350	2,345,319	110,031
General Government				
Other	18,175	18,303	16,268	2,035
Total Expenditures	2,473,525	2,473,653	2,361,587	112,066
Excess of Revenues Under Expenditures	(124,218)	(86,846)	(128,598)	(41,752)
<u>Other Financing Uses</u>				
Transfers Out	0	(33,000)	(33,000)	0
Change in Fund Balance	(124,218)	(119,846)	(161,598)	(41,752)
Fund Balance Beginning of Year	365,048	365,048	365,048	0
Prior Year Encumbrances Appropriated	83,869	83,869	83,869	0
Fund Balance End of Year	\$324,699	\$329,071	\$287,319	(\$41,752)

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fund Net Position
Proprietary Funds
December 31, 2016

	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	\$23,661,582	\$4,852,566	\$2,241,945	\$30,756,093	\$119,200
Accounts Receivable	7,516,341	574,580	561,811	8,652,732	7,856
Due from Other Governments	318	763	0	1,081	99
Other Local Taxes Receivable	116,160	0	0	116,160	0
Interfund Receivable	15,688	11,038	70	26,796	19,200
Prepaid Items	4,703,318	58,179	54,937	4,816,434	1,894
Materials and Supplies Inventory	1,055,986	96,702	0	1,152,688	0
Total Current Assets	37,069,393	5,593,828	2,858,763	45,521,984	148,249
<u>Non-Current Assets</u>					
Recovered Purchased Power Receivable	917,101	0	0	917,101	0
Nondepreciable Capital Assets	1,698,260	10,267,534	2,590,553	14,556,347	0
Depreciable Capital Assets, Net	18,668,622	39,555,422	43,742,544	101,966,588	12,173
Investment in Joint Venture	5,484,502	0	0	5,484,502	0
Total Non-Current Assets	26,768,485	49,822,956	46,333,097	122,924,538	12,173
Total Assets	63,837,878	55,416,784	49,191,860	168,446,522	160,422
<u>Deferred Outflows of Resources</u>					
Deferred Charge on Refunding Pension	0	28,483	100,082	128,565	0
	1,407,323	1,004,234	945,595	3,357,152	58,639
Total Deferred Outflows of Resources	1,407,323	1,032,717	1,045,677	3,485,717	58,639
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	100,894	69,401	66,403	236,698	4,448
Accounts Payable	4,312,205	213,522	110,806	4,636,533	8,668
Contracts Payable	179,176	0	0	179,176	0
Due to Other Governments	47,223	24,317	46,589	118,129	791
Interfund Payable	120,044	7,351	18,882	146,277	0
Accrued Interest Payable	0	1,025	3,551	4,576	0
General Obligation Bonds Payable	0	70,000	225,000	295,000	0
Compensated Absences Payable	183,290	108,470	106,762	398,522	6,469
AMP Ohio Payable	828,859	0	0	828,859	0
Total Current Liabilities	5,771,691	494,086	577,993	6,843,770	20,376
<u>Non-Current Liabilities</u>					
General Obligation Bonds Payable	0	460,000	1,625,000	2,085,000	0
Compensated Absences Payable	342,016	182,092	238,528	762,636	2,380
AMP Ohio Payable	845,101	0	0	845,101	0
Net Pension Liability	3,549,044	2,366,029	2,218,151	8,133,224	147,877
Total Non-Current Liabilities	4,736,161	3,008,121	4,081,679	11,825,961	150,257
Total Liabilities	10,507,852	3,502,207	4,659,672	18,669,731	170,633

(continued)

City of Bowling Green
Statement of Fund Net Position
Proprietary Funds
December 31, 2016
(continued)

	<u>Business-Type Activities</u>			Total Enterprise Funds	<u>Governmental Activity</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>		<u>Internal Service Fund</u>
<u>Deferred Inflows of Resources</u>					
Recovered Purchased Power	\$1,472,472	\$0	\$0	\$1,472,472	\$0
Pension	68,574	45,716	42,859	157,149	2,857
Total Deferred Inflows of Resources	<u>1,541,046</u>	<u>45,716</u>	<u>42,859</u>	<u>1,629,621</u>	<u>2,857</u>
<u>Net Position</u>					
Net Investment in Capital Assets	20,189,318	49,321,439	44,583,179	114,093,936	12,173
Unrestricted	33,006,985	3,580,139	951,827	37,538,951	33,398
Total Net Position	<u>\$53,196,303</u>	<u>\$52,901,578</u>	<u>\$45,535,006</u>	151,632,887	<u>\$45,571</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				<u>(3,232)</u>	
Net position of business-type activities				<u>\$151,629,655</u>	

See Accompanying Notes to the Basic Financial Statement:

City of Bowling Green
Statement of Revenues, Expenses,
and Change in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Internal Service Fund
<u>Operating Revenues</u>					
Charges for Services	\$59,841,508	\$5,148,006	\$3,841,531	\$68,831,045	\$275,813
Other	230,838	85,199	240,744	556,781	273
Total Operating Revenues	<u>60,072,346</u>	<u>5,233,205</u>	<u>4,082,275</u>	<u>69,387,826</u>	<u>276,086</u>
<u>Operating Expenses</u>					
Purchased Power	48,934,809	0	0	48,934,809	0
Plant Operation	0	2,577,726	2,117,538	4,695,264	0
Geographical Information Systems	147,374	88,273	82,961	318,608	0
Distribution Operation	3,899,083	1,321,622	1,161,177	6,381,882	0
Administrative and General	1,467,580	662,781	638,548	2,768,909	0
Information and Technology	191,898	64,171	64,145	320,214	0
Depreciation	1,420,744	1,271,014	1,640,958	4,332,716	7,813
Other	0	0	0	0	222,130
Total Operating Expenses	<u>56,061,488</u>	<u>5,985,587</u>	<u>5,705,327</u>	<u>67,752,402</u>	<u>229,943</u>
Operating Income (Loss)	<u>4,010,858</u>	<u>(752,382)</u>	<u>(1,623,052)</u>	<u>1,635,424</u>	<u>46,143</u>
<u>Non-Operating Revenues (Expenses)</u>					
Excise Taxes	1,584,154	0	0	1,584,154	0
Excise Taxes Expense	(1,584,154)	0	0	(1,584,154)	0
Interest Expense	(10,190)	(14,714)	(51,310)	(76,214)	0
Investment in Joint Venture	(639,337)	0	0	(639,337)	0
Total Non-Operating Revenues (Expenses)	<u>(649,527)</u>	<u>(14,714)</u>	<u>(51,310)</u>	<u>(715,551)</u>	<u>0</u>
Income (Loss) before Contributions and Transfers	3,361,331	(767,096)	(1,674,362)	919,873	46,143
Capital Contributions	0	4,178,849	749,574	4,928,423	0
Transfers In	0	53,032	54,404	107,436	0
Transfers Out	(107,436)	0	0	(107,436)	0
Change in Net Position	3,253,895	3,464,785	(870,384)	5,848,296	46,143
Net Position (Deficit) Beginning of Year	<u>49,942,408</u>	<u>49,436,793</u>	<u>46,405,390</u>		<u>(572)</u>
Net Position End of Year	<u>\$53,196,303</u>	<u>\$52,901,578</u>	<u>\$45,535,006</u>		<u>\$45,571</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

4,153

Change in net position of business-type activities

\$5,852,449

See Accompanying Notes to the Basic Financial Statement:

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	<u>Business-Type Activities</u>			Total Enterprise Funds	<u>Governmental Activity</u>
	Electric	Water	Sewer		Internal Service Fund
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$57,345,695	\$4,992,983	\$3,737,712	\$66,076,390	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	304,066
Cash Payments for Purchased Power	(49,034,494)	0	0	(49,034,494)	0
Cash Payments for Plant Operation	0	(2,499,971)	(2,039,524)	(4,539,495)	0
Cash Payments for Geographical Information Systems	(144,076)	(87,081)	(81,513)	(312,670)	0
Cash Payments for Distribution Operation	(3,580,449)	(1,256,459)	(1,143,711)	(5,980,619)	0
Cash Payments for Administrative and General	(1,373,262)	(616,256)	(580,711)	(2,570,229)	0
Cash Payments for Information and Technology	(185,568)	(61,867)	(61,866)	(309,301)	0
Cash Received from Other Revenues	44,823	85,199	240,744	370,766	273
Cash Payments for Other Expenses	0	0	0	0	(208,873)
Net Cash Provided by Operating Activities	<u>3,072,669</u>	<u>556,548</u>	<u>71,131</u>	<u>3,700,348</u>	<u>95,466</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Cash Received from Excise Taxes	1,584,154	0	0	1,584,154	0
Cash Payments for Excise Tax Distribution	(1,584,154)	0	0	(1,584,154)	0
Transfers Out	(107,436)	0	0	(107,436)	0
Net Cash Used for Noncapital Financing Activities	<u>(107,436)</u>	<u>0</u>	<u>0</u>	<u>(107,436)</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(2,235,000)	0	0	(2,235,000)	0
Principal Paid on General Obligation Bonds	(70,000)	(60,000)	(220,000)	(350,000)	0
Interest Paid on Bond Anticipation Notes	(10,256)	0	0	(10,256)	0
Interest Paid on General Obligation Bonds	(2,800)	(14,600)	(51,112)	(68,512)	0
Acquisition of Capital Assets	(1,092,907)	(611,826)	(72,007)	(1,776,740)	0
Net Cash Used for Capital and Related Financing Activities	<u>(3,410,963)</u>	<u>(686,426)</u>	<u>(343,119)</u>	<u>(4,440,508)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(445,730)	(129,878)	(271,988)	(847,596)	95,466
Cash and Cash Equivalents Beginning 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>
Cash and Cash Equivalents End of Year	<u>\$23,661,582</u>	<u>\$4,852,566</u>	<u>\$2,241,945</u>	<u>\$30,756,093</u>	<u>\$119,200</u>

(continued)

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016
(continued)

	<u>Business-Type Activities</u>			Total Enterprise Funds	<u>Governmental Activity</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>		<u>Internal Service Fund</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Operating Income (Loss)	\$4,010,858	(\$752,382)	(\$1,623,052)	\$1,635,424	\$46,143
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Depreciation	1,420,744	1,271,014	1,640,958	4,332,716	7,813
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(1,844,026)	(157,591)	(106,736)	(2,108,353)	20,591
Decrease in Due from Other Governments	9,970	4,027	2,987	16,984	1,736
Increase in Other Local Taxes Receivable	(6,434)	0	0	(6,434)	0
(Increase) Decrease in Interfund Receivable	4,805	(1,459)	(70)	3,276	5,926
Increase in Prepaid Items	(51,756)	(31,651)	(28,424)	(111,831)	(1,894)
Decrease in Materials and Supplies Inventory	169,790	23,807	0	193,597	0
Decrease in Recovered Purchased Power Receivable	49,989	0	0	49,989	0
Increase in Accrued Wages Payable	10,682	12,741	10,102	33,525	828
Increase in Accounts Payable	747,392	73,817	11,920	833,129	7,407
Decrease in Contracts Payable	(19,456)	(29,289)	0	(48,745)	0
Decrease in Due to Other Governments	(19,708)	(15,832)	(10,411)	(45,951)	(1,010)
Increase (Decrease) in Interfund Payable	9,820	4,293	(3,352)	10,761	0
Increase (Decrease) in Compensated Absences Payable	(3,889)	3,488	34,011	33,610	(440)
Decrease in AMP-Ohio Payable	(764,316)	0	0	(764,316)	0
Decrease in Recovered Purchased Power Payable	(852,577)	0	0	(852,577)	0
Decrease in Net Pension Liability	(82,604)	(121,088)	(117,647)	(321,339)	(3,443)
Decrease in Deferred Outflows - Pension	324,268	299,908	286,397	910,573	13,512
Decrease in Deferred Inflows - Pension	(40,883)	(27,255)	(25,552)	(93,690)	(1,703)
Net Cash Provided by Operating Activities	<u>\$3,072,669</u>	<u>\$556,548</u>	<u>\$71,131</u>	<u>\$3,700,348</u>	<u>\$95,466</u>

Non-Cash Capital Financing Activities:

At December 31, 2016, the Electric enterprise fund had payables related to the acquisition of capital assets, in the amount of \$174,686.

The Water and Sewer enterprise funds received capital assets that were constructed in the City's governmental funds, in the amount of \$4,178,849 and \$749,574, respectively.

The Water and Sewer enterprise funds received a donation of capital assets from the Electric enterprise fund, in the amount of \$53,032 and \$54,404, respectively.

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2016

Assets

Cash and Cash Equivalents in Segregated Accounts	\$249,315
Special Assessments Receivable	<u>92,670</u>
Total Assets	<u><u>\$341,985</u></u>

Liabilities

Undistributed Assets	<u><u>\$341,985</u></u>
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See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016.

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 22, 23, and 24 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, 2016

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, 2016

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, 2016

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 2016. 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 14 to the basic financial statements.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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, 2016, but which were levied to finance 2017 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 14 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 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, 2016

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 2016, the City invested in nonnegotiable and negotiable certificates of deposit, federal agency securities, mutual funds, and commercial paper. Nonnegotiable certificates of deposit are reported at cost. Commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year. The remaining 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 2016 was \$365,687, which includes \$333,416 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, 2016 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, 2016

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 acquisition 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.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid.

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, 2016

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.

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 2017 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 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.

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

For 2016, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", and GASB Statement No. 82, "Pension Issues as an Amendment of GASB Statement No. 67, No. 68, and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and disclosures related to all fair value measurements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", as well as for the assets accumulated for the purpose of providing those pensions. It also amends certain provisions of GASB Statement No. 67, "Financial Reporting for Pension Plans", and GASB Statement No. 68. The implementation of this statement did not result in any changes to the City's financial statements.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the City's financial statements.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any changes in the City's financial statements as the City does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - 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).

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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	\$925,682	(\$42,641)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2015, Received in Cash 2016	1,020,613	46,042
Accrued 2016, Not Yet Received in Cash	(976,786)	(42,029)
Expenditure Accruals:		
Accrued 2015, Paid in Cash 2016	(1,072,964)	(143,573)
Accrued 2016, Not Yet Paid in Cash	1,163,133	62,701
Cash Adjustments:		
Unrecorded Activity 2015	(38,601)	0
Unrecorded Activity 2016	58,710	(6,140)
Prepaid Items	(136,638)	(15,371)
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses into Financial Statement Fund Types	35,910	0
Bond Anticipation Notes Retired	(600,000)	0
Encumbrances Outstanding at Year End (Budget Basis)	(414,982)	(20,587)
Budget Basis	(\$35,923)	(\$161,598)

NOTE 5 - 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, and Government National Mortgage 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 and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
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 40 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, 2016

NOTE 5 - 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, \$7,942,525 of the City's bank balance of \$9,451,580 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, 2016, the City had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Fair Value					
Negotiable Certificates of Deposit	\$4,192,712	\$0	\$499,045	\$1,246,931	\$2,446,736
Federal Home Loan Bank Notes	982,570	0	0	0	982,570
Federal Home Loan Mortgage Corporation Notes	15,929,094	2,001,120	499,555	1,298,089	12,130,330
Federal National Mortgage Association Notes	6,499,170	0	0	2,496,670	4,002,500
Mutual Funds	175,141	175,141	0	0	0
Amortized Cost					
Commercial Paper	13,115,057	13,115,057	0	0	0
	<u>\$40,893,744</u>	<u>\$15,291,318</u>	<u>\$998,600</u>	<u>\$5,041,690</u>	<u>\$19,562,136</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2016. All of the City's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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 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 carry a rating of P-1 or P-2 by Moody's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and the maturity of commercial paper not exceed one hundred eighty days and not exceed 40 percent of the interim monies available for investment.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$4,192,712	10.25%
Federal Home Loan Bank	982,570	2.40
Federal Home Loan Mortgage Corporation	15,929,094	38.95
Federal National Mortgage Association	6,499,170	15.89
Commercial Paper	13,115,057	32.07

NOTE 6 - RECEIVABLES

Receivables at December 31, 2016, 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 \$350,055, will not be received within one year. Special assessments receivable, in the amount of \$199,870, will not be received within one year. At December 31, 2016, the amount of delinquent special assessments was \$14,219.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$74,560
DARE Grant	12,502
Charges for Services	52,258
Fines and Forfeitures	24,414
Local Government	319,264
Total General Fund	482,998
Playground and Recreation	
Homestead and Rollback	9,418
Sewer and Water Capital Improvement	
Ohio Public Works Commission	134,032
Ohio Water Development Authority	1,217,702
Total Sewer and Water Capital Improvement	1,351,734
Total Major Funds	1,844,150
Nonmajor Funds	
Street Maintenance and Repair	
Gasoline Tax	302,782
Auto Registration	83,207
Motor Vehicle License Tax	23,319
Total Street Maintenance and Repair	409,308
State Highway	
Gasoline Tax	24,550
Auto Registration	6,747
Total State Highway	31,297
Law Enforcement Drug	
Fines and Forfeitures	520
Indigent Drivers Alcohol	
Fines and Forfeitures	1,495
	(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Enforcement and Education	
Fines and Forfeitures	\$75
Interlock and Alcohol Monitoring	
Fines and Forfeitures	1,415
Municipal Court Special Projects	
Charges for Services	1,004
Fines and Forfeitures	9,575
Total Municipal Court Special Projects	10,579
Municipal Probation Services	
Charges for Services	5,096
Municipal Court Computerization	
Charges for Services	303
Street Repair	
Ohio Department of Transportation	72,694
Aquatic Facility Capital Improvement	
Homestead and Rollback	12,360
Total Nonmajor Funds	545,142
Internal Service	
Charges for Services	99
Total Governmental Activities	\$2,389,391
Business Type Activities	
Major Funds	
Electric	
Charges for Services	\$318
Water	
Charges for Services	763
Total Business Type Activities	\$1,081

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 7 - 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 3.5 percent and are to be repaid over periods ranging from three to twenty years. A summary of the changes in notes receivable during 2016 follows:

	Balance December 31, 2015	New Loans	Repayments	Balance December 31, 2016	Due Within One Year
Special Revenue Fund					
CDBG					
Revolving Loan Program	\$564,724	\$239,500	\$270,997	\$533,227	\$188,687
Home Program	47,472	0	1,395	46,077	40,562
Total Notes Receivable	<u>\$612,196</u>	<u>\$239,500</u>	<u>\$272,392</u>	<u>\$579,304</u>	<u>\$229,249</u>

NOTE 8 - 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 9 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2016 represent the collection of 2015 taxes. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, 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, 2016

NOTE 9 - PROPERTY TAXES (continued)

Public utility property tax revenues received in 2016 represent the collection of 2015 taxes. Public utility real and tangible personal property taxes received in 2016 became a lien on December 31, 2014, were levied after October 1, 2015, 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, 2016, and for which there was an enforceable legal claim. In the government funds, the portion of the receivable not levied to finance 2016 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, 2016, was \$5.60 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$275,379,630
Commercial/Industrial	179,046,800
Public Utility Real	17,890
Public Utility Personal	2,304,300
Total	\$456,748,620

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$4,422,948	\$0	\$0	\$4,422,948
Construction in Progress	811,091	765,409	(867,272)	709,228
Total Nondepreciable Capital Assets	5,234,039	765,409	(867,272)	5,132,176

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 10 - CAPITAL ASSETS (continued)

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
Governmental Activities (continued):				
Depreciable Capital Assets				
Land Improvements	\$6,688,917	\$185,996	\$0	\$6,874,913
Buildings	19,046,836	554,532	0	19,601,368
Equipment	3,005,224	278,974	0	3,284,198
Vehicles	8,313,587	582,850	(124,386)	8,772,051
Streets	62,104,733	619,541	(913,624)	61,810,650
Total Depreciable Capital Assets	99,159,297	2,221,893	(1,038,010)	100,343,180
Less Accumulated Depreciation for				
Land Improvements	(1,876,197)	(264,178)	0	(2,140,375)
Buildings	(8,984,439)	(417,181)	0	(9,401,620)
Equipment	(2,206,463)	(242,523)	0	(2,448,986)
Vehicles	(6,604,993)	(585,132)	121,383	(7,068,742)
Streets	(38,483,991)	(1,821,811)	550,705	(39,755,097)
Total Accumulated Depreciation	(58,156,083)	(3,330,825)	672,088	(60,814,820)
Total Depreciable Capital Assets, Net	41,003,214	(1,108,932)	(365,922)	39,528,360
Governmental Activities				
Capital Assets, Net	\$46,237,253	(\$343,523)	(\$1,233,194)	\$44,660,536
	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$4,969,064	\$0	\$0	\$4,969,064
Construction in Progress	4,784,075	5,277,881	(474,673)	9,587,283
Total Nondepreciable Capital Assets	9,753,139	5,277,881	(474,673)	14,556,347
Depreciable Capital Assets				
Buildings	86,192,678	581,905	0	86,774,583
Equipment	2,616,804	330,060	0	2,946,864
Vehicles	5,751,215	444,875	(179,980)	6,016,110
Electric, Water, Sewer, and Storm Sewer Lines	106,695,925	827,237	0	107,523,162
Total Depreciable Capital Assets	201,256,622	2,184,077	(179,980)	203,260,719

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 10 - CAPITAL ASSETS (continued)

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
Business-Type Activities (continued):				
Less Accumulated Depreciation for				
Buildings	(\$38,613,645)	(\$1,663,500)	\$0	(\$40,277,145)
Equipment	(2,371,679)	(102,996)	0	(2,474,675)
Vehicles	(5,029,740)	(328,444)	179,980	(5,178,204)
Electric, Water, Sewer, and Storm Sewer Lines	(51,126,331)	(2,237,776)	0	(53,364,107)
Total Accumulated Depreciation	(97,141,395)	(4,332,716)	179,980	(101,294,131)
Total Depreciable Capital Assets, Net	104,115,227	(2,148,639)	0	101,966,588
Business-Type Activities Capital Assets, Net	<u>\$113,868,366</u>	<u>\$3,129,242</u>	<u>(\$474,673)</u>	<u>\$116,522,935</u>

The Water and Sewer enterprise funds accepted contributions of capital assets from governmental activities with a fair value of \$4,178,849 and \$749,574, respectively.

The Water and Sewer enterprise funds accepted contributions of capital assets from the Electric enterprise fund with a fair value of \$53,032 and \$54,404, respectively.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	\$145,678
Security of Persons and Property-Fire	250,504
Security of Persons and Property-Ambulance	6,976
Public Health	1,295
Leisure Time Activities	460,658
Community Environment	3,544
Transportation	2,185,524
General Government-Court	115,969
General Government-Other	160,677
Total Depreciation Expense - Governmental Activities	<u>\$3,330,825</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 11 - INTERFUND BALANCES

Interfund balances at December 31, 2016, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Electric	\$116,160
Due to Other Governmental Funds from:	
Other Governmental	\$275,000
Due to Electric Fund from:	
Water	\$3,070
Sewer	12,618
Total Electric Fund	\$15,688
Due to Water Fund from:	
General	\$4,563
Playground and Recreation	164
Other Governmental	2,015
Electric	870
Sewer	3,426
Total Water Fund	\$11,038
Due to Sewer Fund from :	
Electric	\$43
Water	27
Total Sewer Fund	\$70
Due to Internal Service Fund from:	
Sewer and Water Capital Improvement	3,062
Other Governmental	6,075
Electric	2,971
Water	4,254
Sewer	2,838
Total Internal Service Fund	\$19,200

The balances due to the General, Other Governmental, Electric, Water, Sewer, 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, 2016

NOTE 12 - 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 2016, 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, 2016

NOTE 12 - RISK MANAGEMENT (continued)

For 2016, 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 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2016:

Vendor	Contract Amount	Amount Paid as of 12/31/16	Outstanding Balance
Best Equipment Co., Inc.	\$113,463	\$0	\$113,463
FET Construction Services, Inc.	331,375	0	331,375
Geddis Paving & Excavating, Inc.	865,000	116,205	748,795
Inland Waters Pollution Control, Inc.	171,882	139,374	32,508
Kirk Brothers Company, Inc.	3,762,905	1,627,688	2,135,217
Perram Electric, Inc.	175,000	0	175,000
Poggemeyer Design Group, Inc.	627,606	231,002	396,604
Reiss Engineering, Inc.	103,850	9,991	93,859
The Shelly Company	630,000	0	630,000
Utility Truck Equipment, Inc.	222,590	0	222,590
Visu-Sewer of Missouri, LLC	98,122	0	98,122

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2017 are as follows:

General Fund	\$414,982
Sewer and Water Capital Improvement	3,571,515
Other Governmental Funds	1,717,152

NOTE 14 - 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, 2016

NOTE 14 - 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 including requirements for reduced and unreduced benefits).

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, 2016

NOTE 14 - 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
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0 %	*	**
2016 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 \$1,325,329 for 2016. Of this amount, \$50,079 is reported as an intergovernmental payable.

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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

Plan Description - Full-time police and firefighters participate in 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 after 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, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
 2016 Actual Contribution Rates		
Employer		
Pension	19.00 %	23.50 %
Postemployment Health Care Benefits	.50	.50
Total Employer	19.50 %	24.00 %
Total Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,479,130 for 2016. Of this amount, \$74,700 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, 2015, 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. 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
Proportion of the Net Pension Liability			
Current Measurement Date	0.08537300%	0.32843900%	
Prior Measurement Date	0.08296200%	0.32675040%	
Change in Proportionate Share	0.00241100%	0.00168860%	
 Proportionate Share of the Net			
Pension Liability	\$14,787,680	\$21,128,711	\$35,916,391
Pension Expense	\$2,161,916	\$3,009,985	\$5,171,901

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$4,346,654	\$3,438,944	\$7,785,598
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions City Contributions Subsequent to the Measurement Date	239,480	70,185	309,665
	<u>1,325,329</u>	<u>1,479,130</u>	<u>2,804,459</u>
Total Deferred Outflows of Resources	<u>\$5,911,463</u>	<u>\$4,988,259</u>	<u>\$10,899,722</u>
Deferred Inflows of Resources			
Difference Between Expected and Actual Experience	\$285,727	\$59,329	\$345,056
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	47,619	0	47,619
Total Deferred Inflows of Resources	<u>\$333,346</u>	<u>\$59,329</u>	<u>\$392,675</u>

\$2,804,459 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Year Ending December 31,			
2017	\$1,039,182	\$907,660	\$1,946,842
2018	1,108,683	907,660	2,016,343
2019	1,121,272	907,660	2,028,932
2020	983,651	710,727	1,694,378
2021	0	13,523	13,523
Thereafter	0	2,570	2,570
Total	<u>\$4,252,788</u>	<u>\$3,449,800</u>	<u>\$7,702,588</u>

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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 was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013, Retirees	3 percent simple
Post-January 7, 2013, Retirees	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	8 percent
Actuarial Cost Method	individual entry age

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 .4 percent for 2015.

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

The table below displays the board approved asset allocation policy for 2015 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	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

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	\$23,560,387	\$14,787,680	\$7,388,179

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact the annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OPF

OPF's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, 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, 2015, are presented below.

Valuation Date	January 1, 2015
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 simple

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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, 2015, are summarized below.

Asset Class	Target Allocation	Ten Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equities	16.00	6.50	7.80
Non-U.S. Equities	16.00	6.70	8.00
Core Fixed Income*	20.00	3.50	5.35
Global Inflation Protected*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

Note: assumptions are geometric

* levered 2x

** Numbers are net of expected inflation

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.

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

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	\$27,865,940	\$21,128,711	\$15,421,615

NOTE 15 - 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.

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 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

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 2016, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained 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. 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. 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 the traditional pension and combined 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a retiree medical account for member-directed plan members. The employer contribution as a percentage of covered payroll deposited into the retiree medical accounts for 2016 was 4 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Health Care Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statement of Changes in Fiduciary Net Position for the year ended December 31, 2016, reflects a partial year of activity in the 401(h) Health Care Trust and the VEBA Trust prior to the termination of these trusts as of the end of the business day June 30, 2016, and the assets and liabilities or net position of these trusts being consolidated into the 115 Health Care Trust on July 1, 2016.

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, 2016, 2015, and 2014 was \$220,888, \$212,510, and \$203,429, respectively. For 2016, 96 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

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 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 2016, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of 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.

The City's contribution to OPF for the years ended December 31, 2016, 2015, and 2014, was \$1,513,557, \$1,564,163, and \$1,399,387, respectively, of which \$34,427, \$35,595, and \$31,958 was allocated to the health care plan. For 2016, 95 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 2015 and 2014.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 16 - 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 17 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2016, were as follows:

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
<u>Governmental Activities</u>					
2015 Real Estate Acquisition Notes	1.05%	\$600,000	\$0	\$600,000	\$0
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Electric					
2015 Electric System Improvements	1.0%	\$2,235,000	\$0	\$2,235,000	\$0

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

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 matured on November 17, 2016.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2016, was as follows:

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2004 Various Purpose Improvement						
(Original Issue - \$11,745,000)	3 - 5%	\$630,000	\$0	\$155,000	\$475,000	\$160,000
2012 Refunding Various Purpose Improvement						
(Original Issue - \$3,850,000)	.75 - 3	3,735,000	0	30,000	3,705,000	30,000
2013 Refunding Various Purpose Improvement						
(Original Issue - \$7,095,000)	1.5 - 4	5,245,000	0	710,000	4,535,000	725,000
Total General Obligation Bonds		<u>9,610,000</u>	<u>0</u>	<u>895,000</u>	<u>8,715,000</u>	<u>915,000</u>
Ohio Water Development Authority Loans						
1994 Second Water Transmission Main						
(Original Issue - \$3,644,348)	5.77	1,134,498	0	260,240	874,258	137,628
2002 Clearwell and High Service Pump						
(Original Issue - \$3,217,619)	3.95	827,443	0	321,301	506,142	165,425
2004 Wastewater Treatment Plant and Solids Handling Improvements						
(Original Issue - \$5,921,827)	1.76	1,942,644	0	418,558	1,524,086	212,046
2008 Intake and Pump Station						
(Original Issue - \$4,107,626)	3.52	3,159,976	0	178,142	2,981,834	91,429
2009 WWTP Tertiary Filtration						
(Original Issue - \$2,541,205)	4.14	1,930,271	0	109,287	1,820,984	56,345
2009 Microfiltration/Low Pressure Reverse Osmosis						
(Original Issue - \$4,319,545)	0.00	3,239,660	0	215,978	3,023,682	107,989
2010 WWTP Ultraviolet Disinfection Project						
(Original Issue - \$961,095)	3.70	704,579	20,455	20,945	704,089	21,333
2012 Poe and Mercer Roads Pump Station Upgrades						
(Original Issue - \$1,228,015)	3.08	1,051,909	0	38,731	1,013,178	25,746
2013 Manville Tower Replacement						
	2.59	3,094,266	64,155	140,829	3,017,592	0
2015 Water Treatment Reservoir Pump Station						
	0.00	44,396	2,686,126	0	2,730,522	0
Total Ohio Water Development Authority Loans		<u>17,129,642</u>	<u>2,770,736</u>	<u>1,704,011</u>	<u>18,196,367</u>	<u>817,941</u>

(continued)

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u>						
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees Retirement System		\$4,702,887	\$1,951,569	\$0	\$6,654,456	\$0
Ohio Police and Fire Pension		16,927,033	4,201,678	0	21,128,711	0
Total Net Pension Liability		21,629,920	6,153,247	0	27,783,167	0
Compensated Absences Payable		1,661,471	121,995	49,077	1,734,389	840,952
Capital Leases Payable		157,242	0	37,574	119,668	38,709
Total Other Long-Term Obligations		23,448,633	6,275,242	86,651	29,637,224	879,661
Total Governmental Activities		<u>\$50,188,275</u>	<u>\$9,045,978</u>	<u>\$2,685,662</u>	<u>\$56,548,591</u>	<u>\$2,612,602</u>
	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2012 Refunding Various Purpose Improvement						
(Original Issue - \$2,195,000)	.75 - 3%	\$2,125,000	\$0	\$20,000	\$2,105,000	\$20,000
2013 Refunding Various Purpose Improvement						
(Original Issue - \$1,280,000)	1.5 - 4	605,000	0	330,000	275,000	275,000
Total General Obligation Bonds		2,730,000	0	350,000	2,380,000	295,000
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees Retirement System		5,303,258	2,829,966	0	8,133,224	0
Compensated Absences Payable		1,127,548	104,985	71,375	1,161,158	398,522
AMP Ohio Payable - JV 2		1,471,186	0	714,327	756,859	756,859
AMP Ohio Payable		967,090	22,011	72,000	917,101	72,000
Total Other Long-Term Obligations		8,869,082	2,956,962	857,702	10,968,342	1,227,381
Total Business-Type Activities		<u>\$11,599,082</u>	<u>\$2,956,962</u>	<u>\$1,207,702</u>	<u>\$13,348,342</u>	<u>\$1,522,381</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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.

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>
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

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, 2016, none of the refunded debt was still outstanding.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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.

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 \$12,448,253 and \$1,588,414, respectively. Principal and interest paid in the Sewer and Water Capital Improvement capital projects fund for the current year were \$1,704,011 and \$360,268, respectively. Total revenue for the Sewer and Water Capital Improvement capital projects fund was \$5,566,809.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Net Pension Liability - There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the General Fund, the Playground and Recreation, Street Maintenance and Repair, ODOT Transportation, Community Development Block Grant, Police Levy, Fire Levy, Law Enforcement Drug, Municipal Court Special Project, and Municipal Probation Services special revenue funds, the Electric, Water, and Sewer enterprise funds, and the Engineering internal service fund.

Compensated Absences - The compensated absences liability will be paid from the General Fund, the Playground and Recreation, Street Maintenance and Repair, Police Levy, Fire Levy, Law Enforcement Drug, 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.

The AMP-Ohio loan for JV2 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 JV2 debt service and any other outstanding electric system revenue obligations. The remaining principal and interest to be paid on the loan is \$775,183 payable through 2017. Principal paid for the current year was \$714,327. Total net revenues for the Electric enterprise fund were \$5,431,602.

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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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 \$64,491 (in total) for interest and legal fees and has made payments of \$144,000 (in total), resulting in a net impaired cost estimate at December 31, 2016, of \$917,101. 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 \$39,623,829 at December 31, 2016.

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.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2016, were as follows:

Year	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2017	\$915,000	\$221,456	\$817,941	\$136,330
2018	920,000	184,657	1,670,069	245,225
2019	830,000	158,781	1,368,090	206,485
2020	850,000	142,782	1,245,529	174,278
2021	865,000	126,256	662,526	149,126
2022 to 2026	2,690,000	396,387	3,573,096	532,547
2027 to 2031	1,435,000	135,338	3,030,173	142,621
2032	210,000	6,300	80,829	1,802
Total	\$8,715,000	\$1,371,957	\$12,448,253	\$1,588,414

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016, from the enterprise funds were as follows:

Year	General Obligation Bonds		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2017	\$295,000	\$54,912	\$828,859	\$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	340,000	23,112	72,000	0
2022 to 2026	725,000	24,637	360,000	0
2027 to 2029	0	0	197,101	0
Total	\$2,380,000	\$213,199	\$1,673,960	\$18,324

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

The City has issued multi-family housing revenue bonds which are summarized in the following table:

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Balance December 31, 2016</u>
Multi-Family Housing Revenue Bonds			
Student Housing	6/16/2010	\$81,610,000	\$77,705,000

The City is not obligated in any way to pay debt and related charges on the multi-family housing revenue bonds 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 19 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into a capitalized lease for vehicles. Principal payments in 2016 were \$37,574 for governmental activities.

	<u>Governmental Activities</u>
Vehicles	\$199,565
Less Accumulated Depreciation	(34,924)
Carrying Value, December 31, 2016	<u>\$164,641</u>

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, 2016.

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$38,709	\$3,614
2018	39,878	2,445
2019	41,081	1,242
Total	<u>\$119,668</u>	<u>\$7,301</u>

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 20 - 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	\$216,209	\$15,371	\$0	\$60,026
Unclaimed Monies	49,933	0	0	0
Total Nonspendable	<u>266,142</u>	<u>15,371</u>	<u>0</u>	<u>60,026</u>
Restricted for:				
Capital Improvements	0	0	7,663,587	694,133
Cemetery Operations and Maintenance	0	0	0	27,328
Community Development	0	0	0	750,349
Court Operations	0	0	0	279,773
Debt Retirement	0	0	0	68,592
Playground and Recreation	0	293,374	0	0
Police and Fire Operations	0	0	0	2,094,670
Public Transit	0	0	0	11,050
Street Construction and Maintenance	0	0	0	2,422,255
Total Restricted	<u>0</u>	<u>293,374</u>	<u>7,663,587</u>	<u>6,348,150</u>
Committed to:				
Equipment Replacement	0	0	0	232,639
Facility Replacement	0	0	0	300,000
Greenspace Enhancements	45,008	0	0	0
Parking Enforcement and Maintenance	173,891	0	0	0
Roadway Replacement	0	0	0	175,000
Total Committed	<u>218,899</u>	<u>0</u>	<u>0</u>	<u>707,639</u>
Assigned for:				
Debt Retirement	0	0	0	80,224
Payroll Stabilization	150,000	0	0	0
Projected Budget Shortage	1,106,405	0	0	0
Unpaid Obligations	206,708	0	0	0
Total Assigned	<u>1,463,113</u>	<u>0</u>	<u>0</u>	<u>80,224</u>
Unassigned (Deficit)	<u>2,711,427</u>	<u>0</u>	<u>0</u>	<u>(271,695)</u>
Total Fund Balance	<u>\$4,659,581</u>	<u>\$308,745</u>	<u>\$7,663,587</u>	<u>\$6,924,344</u>

NOTE 21 - INTERFUND TRANSFERS

During 2016, the General Fund made transfers, in the amount of \$56,815, to other governmental funds for transit operations. The Playground and Recreation special revenue fund made transfers to the General Fund, in the amount of \$33,000, as debt payments came due. Other governmental funds made transfers to other governmental funds, in the amount of \$1,291,190; \$1,047,855 as debt payments came due, \$35,810 for transit operations, and \$207,525 to fund equipment capital maintenance.

During 2016, the Electric enterprise fund transferred capital assets, in the amount of \$53,032 and \$54,404, to the Water and Sewer enterprise funds, respectively.

NOTE 22 - 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, 2016. 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 23 - 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.

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, 2016, 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, 2016, was \$756,859 (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 \$1,906,696 at December 31, 2016. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

NOTE 23 - JOINT VENTURES (continued)

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.

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, 2016, 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 23 - JOINT VENTURES (continued)

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. On January 29, 2016, JV5 issued 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 as compared to its value at December 31, 2015 of \$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, 2016. Complete financial statements for JV5 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

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, 2016, the City had met its debt coverage obligation.

NOTE 23 - JOINT VENTURES (continued)

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.

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 \$3,107,811 at December 31, 2016. 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 24 - 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., 130 South Main Street, Bowling Green, Ohio 43402.

NOTE 25 - CONTINGENT LIABILITIES

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

For the period January 1, 2016, to December 31, 2016, 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.

City of Bowling Green
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 26 - SUBSEQUENT EVENT

On June 19, 2017, City Council approved the donation of land to the Wood County Committee on Aging, with a value of \$242,500.

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 Three Years (1)

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.08537300%	0.08296200%	0.08296200%
City's Proportionate Share of the Net Pension Liability	\$14,787,680	\$10,006,145	\$9,780,139
City's Covered Payroll	\$10,625,493	\$10,171,425	\$9,551,205
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	139.17%	98.38%	102.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2014 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 Three Years (1)

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.32843900%	0.32675040%	0.32675040%
City's Proportionate Share of the Net Pension Liability	\$21,128,711	\$16,927,033	\$15,913,770
City's Covered Payroll	\$7,119,120	\$6,391,680	\$7,493,314
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	296.79%	264.83%	212.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

(1) Information prior to 2014 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 Four Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,325,329	\$1,275,059	\$1,220,571	\$1,241,657
Contributions in Relation to the Contractually Required Contribution	<u>(1,325,329)</u>	<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>	<u>\$0</u>
City Covered Payroll	\$11,044,408	\$10,625,493	\$10,171,425	\$9,551,205
Contributions as a Percentage of Covered Payroll	12.00%	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,479,130	\$1,528,568	\$1,367,429	\$1,358,420
Contributions in Relation to the Contractually Required Contribution	<u>(1,479,130)</u>	<u>(1,528,568)</u>	<u>(1,367,429)</u>	<u>(1,358,420)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$6,885,486	\$7,119,120	\$6,391,680	\$7,493,314
Contributions as a Percentage of Covered Payroll	21.48%	21.47%	21.39%	18.13%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$959,823	\$994,151	\$982,342	\$1,020,042	\$963,878	\$926,990
<u>(959,823)</u>	<u>(994,151)</u>	<u>(982,342)</u>	<u>(1,020,042)</u>	<u>(963,878)</u>	<u>(926,990)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,317,014	\$6,541,801	\$6,479,219	\$6,729,954	\$6,314,667	\$6,066,172
15.19%	15.20%	15.16%	15.16%	15.26%	15.28%

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Comparative Enterprise Fund Financial Statements

City of Bowling Green
Comparative Statement of Fund Net Position
Enterprise Funds
December 31, 2016, and 2015

	Electric		Water	
	2016	2015	2016	2015
<u>Current Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$23,661,582	\$24,107,312	\$4,852,566	\$4,982,444
Accounts Receivable	7,516,341	5,672,315	574,580	416,989
Due from Other Governments	318	10,288	763	4,790
Other Local Taxes Receivable	116,160	109,726	0	0
Interfund Receivable	15,688	20,493	11,038	9,579
Prepaid Items	4,703,318	4,651,562	58,179	26,528
Materials and Supplies Inventory	1,055,986	1,225,776	96,702	120,509
Total Current Assets	37,069,393	35,797,472	5,593,828	5,560,839
<u>Non-Current Assets</u>				
Recovered Purchased Power Receivable	917,101	967,090	0	0
Nondepreciable Capital Assets	1,698,260	1,274,414	10,267,534	6,173,679
Depreciable Capital Assets, Net	18,668,622	19,245,619	39,555,422	40,076,584
Investment in Joint Venture	5,484,502	6,123,839	0	0
Total Non-Current Assets	26,768,485	27,610,962	49,822,956	46,250,263
Total Assets	63,837,878	63,408,434	55,416,784	51,811,102
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding Pension	0	0	28,483	28,789
	1,407,323	434,150	1,004,234	271,344
Total Deferred Outflows of Resources	1,407,323	434,150	1,032,717	300,133
<u>Current Liabilities</u>				
Accrued Wages Payable	100,894	90,212	69,401	56,660
Accounts Payable	4,312,205	3,564,813	213,522	139,705
Contracts Payable	179,176	23,946	0	29,289
Due to Other Governments	47,223	66,931	24,317	40,149
Interfund Payable	120,044	110,224	7,351	3,058
Accrued Interest Payable	0	2,866	1,025	1,217
Notes Payable	0	2,235,000	0	0
General Obligation Bonds Payable	0	70,000	70,000	60,000
Compensated Absences Payable	183,290	212,619	108,470	124,404
AMP Ohio Payable	828,859	783,241	0	0
Total Current Liabilities	5,771,691	7,159,852	494,086	454,482
<u>Non-Current Liabilities</u>				
General Obligation Bonds Payable	0	0	460,000	530,000
Compensated Absences Payable	342,016	316,576	182,092	162,670
AMP Ohio Payable	845,101	1,655,035	0	0
Net Pension Liability	3,549,044	2,401,475	2,366,029	1,500,922
Total Non-Current Liabilities	4,736,161	4,373,086	3,008,121	2,193,592
Total Liabilities	10,507,852	11,532,938	3,502,207	2,648,074

Sewer		Totals	
2016	2015	2016	2015
\$2,241,945	\$2,513,933	\$30,756,093	\$31,603,689
561,811	455,075	8,652,732	6,544,379
0	2,987	1,081	18,065
0	0	116,160	109,726
70	0	26,796	30,072
54,937	26,513	4,816,434	4,704,603
0	0	1,152,688	1,346,285
<u>2,858,763</u>	<u>2,998,508</u>	<u>45,521,984</u>	<u>44,356,819</u>
0	0	917,101	967,090
2,590,553	2,305,046	14,556,347	9,753,139
43,742,544	44,793,024	101,966,588	104,115,227
0	0	5,484,502	6,123,839
<u>46,333,097</u>	<u>47,098,070</u>	<u>122,924,538</u>	<u>120,959,295</u>
<u>49,191,860</u>	<u>50,096,578</u>	<u>168,446,522</u>	<u>165,316,114</u>
100,082	100,988	128,565	129,777
945,595	253,254	3,357,152	958,748
<u>1,045,677</u>	<u>354,242</u>	<u>3,485,717</u>	<u>1,088,525</u>
66,403	56,301	236,698	203,173
110,806	98,886	4,636,533	3,803,404
0	0	179,176	53,235
46,589	57,000	118,129	164,080
18,882	22,234	146,277	135,516
3,551	4,259	4,576	8,342
0	0	0	2,235,000
225,000	220,000	295,000	350,000
106,762	117,290	398,522	454,313
0	0	828,859	783,241
<u>577,993</u>	<u>575,970</u>	<u>6,843,770</u>	<u>8,190,304</u>
1,625,000	1,850,000	2,085,000	2,380,000
238,528	193,989	762,636	673,235
0	0	845,101	1,655,035
<u>2,218,151</u>	<u>1,400,861</u>	<u>8,133,224</u>	<u>5,303,258</u>
<u>4,081,679</u>	<u>3,444,850</u>	<u>11,825,961</u>	<u>10,011,528</u>
<u>4,659,672</u>	<u>4,020,820</u>	<u>18,669,731</u>	<u>18,201,832</u>

(continued)

City of Bowling Green
Comparative Statement of Fund Net Position
Enterprise Funds
December 31, 2016, and 2015
(continued)

	<u>Electric</u>		<u>Water</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Deferred Inflows of Resources</u>				
Recovered Purchased Power	\$1,472,472	\$2,325,049	\$0	\$0
Pension	68,574	42,189	45,716	26,368
Total Deferred Inflows of Resources	<u>1,541,046</u>	<u>2,367,238</u>	<u>45,716</u>	<u>26,368</u>
<u>Net Position</u>				
Net Investment in Capital Assets	20,189,318	18,215,033	49,321,439	45,689,052
Unrestricted	33,006,985	31,727,375	3,580,139	3,747,741
Total Net Position	<u>\$53,196,303</u>	<u>\$49,942,408</u>	<u>\$52,901,578</u>	<u>\$49,436,793</u>

Sewer		Totals	
2016	2015	2016	2015
\$0	\$0	\$1,472,472	\$2,325,049
42,859	24,610	157,149	93,167
42,859	24,610	1,629,621	2,418,216
44,583,179	45,129,058	114,093,936	109,033,143
951,827	1,276,332	37,538,951	36,751,448
<u>\$45,535,006</u>	<u>\$46,405,390</u>	<u>\$151,632,887</u>	<u>\$145,784,591</u>

City of Bowling Green
Comparative Statement of Revenues, Expenses, and Change in Fund Net Position
Enterprise Funds
For the Years Ended December 31, 2016, and 2015

	Electric		Water	
	2016	2015	2016	2015
<u>Operating Revenues</u>				
Charges for Services	\$59,841,508	\$54,741,470	\$5,148,006	\$4,677,639
Other	230,838	360,686	85,199	55,953
Total Operating Revenues	<u>60,072,346</u>	<u>55,102,156</u>	<u>5,233,205</u>	<u>4,733,592</u>
<u>Operating Expenses</u>				
Purchased Power	48,934,809	43,321,356	0	0
Plant Operation	0	0	2,577,726	1,568,217
Geographical Information Systems	147,374	102,105	88,273	32,769
Distribution Operation	3,899,083	1,984,657	1,321,622	1,104,680
Administrative and General	1,467,580	1,598,205	662,781	620,716
Information and Technology	191,898	184,801	64,171	61,417
Depreciation	1,420,744	1,357,664	1,271,014	1,295,463
Total Operating Expenses	<u>56,061,488</u>	<u>48,548,788</u>	<u>5,985,587</u>	<u>4,683,262</u>
Operating Income (Loss)	<u>4,010,858</u>	<u>6,553,368</u>	<u>(752,382)</u>	<u>50,330</u>
<u>Non-Operating Revenues (Expenses)</u>				
Excise Taxes	1,584,154	1,569,836	0	0
Excise Taxes Expense	(1,584,154)	(1,569,836)	0	0
Interest Revenue	0	0	0	5
Interest Expense	(10,190)	(26,165)	(14,714)	(17,015)
Investment in Joint Venture	(639,337)	(1,701,418)	0	0
Total Non-Operating Revenues (Expenses)	<u>(649,527)</u>	<u>(1,727,583)</u>	<u>(14,714)</u>	<u>(17,010)</u>
Income (Loss) Before Contributions and Transfers	<u>3,361,331</u>	<u>4,825,785</u>	<u>(767,096)</u>	<u>33,320</u>
Capital Contributions	0	209,474	4,178,849	1,628,042
Transfers In	0	0	53,032	37,355
Transfers Out	(107,436)	(37,355)	0	0
Change in Net Position	<u>3,253,895</u>	<u>4,997,904</u>	<u>3,464,785</u>	<u>1,698,717</u>
Net Position Beginning of Year	<u>49,942,408</u>	<u>44,944,504</u>	<u>49,436,793</u>	<u>47,738,076</u>
Net Position End of Year	<u>\$53,196,303</u>	<u>\$49,942,408</u>	<u>\$52,901,578</u>	<u>\$49,436,793</u>

Sewer		Totals	
2016	2015	2016	2015
\$3,841,531	\$3,646,759	\$68,831,045	\$63,065,868
240,744	213,513	556,781	630,152
4,082,275	3,860,272	69,387,826	63,696,020
0	0	48,934,809	43,321,356
2,117,538	1,332,947	4,695,264	2,901,164
82,961	35,054	318,608	169,928
1,161,177	991,465	6,381,882	4,080,802
638,548	569,169	2,768,909	2,788,090
64,145	61,453	320,214	307,671
1,640,958	1,600,882	4,332,716	4,254,009
5,705,327	4,590,970	67,752,402	57,823,020
(1,623,052)	(730,698)	1,635,424	5,873,000
0	0	1,584,154	1,569,836
0	0	(1,584,154)	(1,569,836)
0	8	0	13
(51,310)	(59,810)	(76,214)	(102,990)
0	0	(639,337)	(1,701,418)
(51,310)	(59,802)	(715,551)	(1,804,395)
(1,674,362)	(790,500)	919,873	4,068,605
749,574	1,061,536	4,928,423	2,899,052
54,404	0	107,436	37,355
0	0	(107,436)	(37,355)
(870,384)	271,036	5,848,296	6,967,657
46,405,390	46,134,354	145,784,591	138,816,934
\$45,535,006	\$46,405,390	\$151,632,887	\$145,784,591

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2016, and 2015

	Electric		Water	
	2016	2015	2016	2015
<u>Increases (Decreases) in Cash and Cash Equivalents</u>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$57,345,695	\$53,732,910	\$4,992,983	\$4,675,634
Cash Payments for Purchased Power	(49,034,494)	(45,899,619)	0	0
Cash Payments for Plant Operation	0	0	(2,499,971)	(2,135,785)
Cash Payments for Geographical Information Systems	(144,076)	(99,220)	(87,081)	(31,748)
Cash Payments for Distribution Operation	(3,580,449)	(3,977,322)	(1,256,459)	(1,121,873)
Cash Payments for Administrative and General	(1,373,262)	(1,598,810)	(616,256)	(629,375)
Cash Payments for Information and Technology	(185,568)	(184,717)	(61,867)	(61,393)
Cash Received from Other Revenues	44,823	360,686	85,199	55,953
Net Cash Provided by Operating Activities	<u>3,072,669</u>	<u>2,333,908</u>	<u>556,548</u>	<u>751,413</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Cash Received from Excise Taxes	1,584,154	1,569,836	0	0
Cash Payments for Excise Tax Distribution	(1,584,154)	(1,569,836)	0	0
Transfers Out	(107,436)	(37,355)	0	0
Net Cash Used for Noncapital Financing Activities	<u>(107,436)</u>	<u>(37,355)</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on Bond Anticipation Notes	(2,235,000)	(2,435,000)	0	0
Principal Paid on General Obligation Bonds	(70,000)	(70,000)	(60,000)	(60,000)
Interest Paid on Bond Anticipation Notes	(10,256)	(20,968)	0	0
Interest Paid on General Obligation Bonds	(2,800)	(5,600)	(14,600)	(16,900)
Bond Anticipation Notes Issued	0	2,235,000	0	0
Acquisition of Capital Assets	(1,092,907)	(974,883)	(611,826)	(1,380,589)
Net Cash Used for Capital and Related Financing Activities	<u>(3,410,963)</u>	<u>(1,271,451)</u>	<u>(686,426)</u>	<u>(1,457,489)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	0	0	0	5
Net Increase (Decrease) in Cash and Cash Equivalents	(445,730)	1,025,102	(129,878)	(706,071)
Cash and Cash Equivalents Beginning of Year	<u>24,107,312</u>	<u>23,082,210</u>	<u>4,982,444</u>	<u>5,688,515</u>
Cash and Cash Equivalents End of Year	<u>\$23,661,582</u>	<u>\$24,107,312</u>	<u>\$4,852,566</u>	<u>\$4,982,444</u>

Sewer		Totals	
2016	2015	2016	2015
\$3,737,712	\$3,607,253	\$66,076,390	\$62,015,797
0	0	(49,034,494)	(45,899,619)
(2,039,524)	(1,944,234)	(4,539,495)	(4,080,019)
(81,513)	(34,284)	(312,670)	(165,252)
(1,143,711)	(997,401)	(5,980,619)	(6,096,596)
(580,711)	(573,890)	(2,570,229)	(2,802,075)
(61,866)	(61,391)	(309,301)	(307,501)
240,744	213,513	370,766	630,152
71,131	209,566	3,700,348	3,294,887
0	0	1,584,154	1,569,836
0	0	(1,584,154)	(1,569,836)
0	0	(107,436)	(37,355)
0	0	(107,436)	(37,355)
0	0	(2,235,000)	(2,435,000)
(220,000)	(220,000)	(350,000)	(350,000)
0	0	(10,256)	(20,968)
(51,112)	(59,613)	(68,512)	(82,113)
0	0	0	2,235,000
(72,007)	(156,942)	(1,776,740)	(2,512,414)
(343,119)	(436,555)	(4,440,508)	(3,165,495)
0	8	0	13
(271,988)	(226,981)	(847,596)	92,050
2,513,933	2,740,914	31,603,689	31,511,639
<u>\$2,241,945</u>	<u>\$2,513,933</u>	<u>\$30,756,093</u>	<u>\$31,603,689</u>

(continued)

City of Bowling Green
Comparative Statement of Cash Flows
Enterprise Funds
For the Years Ended December 31, 2016, and 2015
(continued)

	Electric		Water	
	2016	2015	2016	2015
Reconciliation of Operating Income (Loss) to Net				
<u>Cash Provided by Operating Activities:</u>				
Operating Income (Loss)	\$4,010,858	\$6,553,368	(\$752,382)	\$50,330
Adjustments to Reconcile Operating Income (Loss) to Net				
<u>Cash Provided by Operating Activities:</u>				
Depreciation	1,420,744	1,357,664	1,271,014	1,295,463
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(1,844,026)	(162,998)	(157,591)	1,411
(Increase) Decrease in Due from Other Governments	9,970	(4,705)	4,027	(4,790)
(Increase) Decrease in Other Local Taxes Receivable	(6,434)	25,814	0	0
(Increase) Decrease in Interfund Receivable	4,805	(6,448)	(1,459)	1,374
Increase in Prepaid Items	(51,756)	(4,625,555)	(31,651)	(521)
(Increase) Decrease in Materials and Supplies Inventory	169,790	(54,750)	23,807	(7,635)
Decrease in Recovered Purchased Power Receivable	49,989	50,957	0	0
Increase in Accrued Wages Payable	10,682	10,414	12,741	2,896
Increase (Decrease) in Accounts Payable	747,392	1,490,625	73,817	(600,937)
Increase (Decrease) in Contracts Payable	(19,456)	(61,758)	(29,289)	29,289
Decrease in Due to Other Governments	(19,708)	(23,201)	(15,832)	(3,002)
Increase (Decrease) in Interfund Payable	9,820	(26,574)	4,293	489
Decrease in Unearned Revenue	0	(90,147)	0	0
Increase (Decrease) in Compensated Absences Payable	(3,889)	14,203	3,488	15,035
Decrease in AMP-Ohio Payable	(764,316)	(1,323,957)	0	0
Decrease in Recovered Purchased Power Payable	(852,577)	(744,262)	0	0
Decrease in Net Pension Liability	(82,604)	(44,273)	(121,088)	(27,671)
Decrease in Deferred Outflows - Pension	324,268	18,957	299,908	11,848
Decrease in Deferred Inflows - Pension	(40,883)	(19,466)	(27,255)	(12,166)
Net Cash Provided by Operating Activities	<u>\$3,072,669</u>	<u>\$2,333,908</u>	<u>\$556,548</u>	<u>\$751,413</u>

Sewer		Totals	
2016	2015	2016	2015
(\$1,623,052)	(\$730,698)	\$1,635,424	\$5,873,000
1,640,958	1,600,882	4,332,716	4,254,009
(106,736)	(37,191)	(2,108,353)	(198,778)
2,987	(2,315)	16,984	(11,810)
0	0	(6,434)	25,814
(70)	0	3,276	(5,074)
(28,424)	(521)	(111,831)	(4,626,597)
0	0	193,597	(62,385)
0	0	49,989	50,957
10,102	2,293	33,525	15,603
11,920	(569,038)	833,129	320,650
0	(9,049)	(48,745)	(41,518)
(10,411)	(6,793)	(45,951)	(32,996)
(3,352)	6,975	10,761	(19,110)
0	0	0	(90,147)
34,011	(18,857)	33,610	10,381
0	0	(764,316)	(1,323,957)
0	0	(852,577)	(744,262)
(117,647)	(25,825)	(321,339)	(97,769)
286,397	11,058	910,573	41,863
(25,552)	(11,355)	(93,690)	(42,987)
<u>\$71,131</u>	<u>\$209,566</u>	<u>\$3,700,348</u>	<u>\$3,294,887</u>

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**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	\$6,000	\$227,107
Total U.S. Department of Housing and Urban Development			<u>6,000</u>	<u>227,107</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed Through Ohio Department of Transportation</i>				
Formula Grants for Rural Areas				
	RPTM-0093-035-152	20.509		3,136
	RPTF-4093-035-151	20.509		21,864
	093-RPTF-16-0100	20.509		73,457
	093-RPTF-16-0100	20.509		186,365
Total Formula Grants for Rural Areas				<u>284,822</u>
Highway Planning and Construction Grant				
	Grant Number 90658	20.205		43,235
	Grant Number 95675	20.205		464,821
Total Highway Planning and Construction Grant				<u>508,056</u>
Total U.S. Department of Transportation				<u>792,878</u>
U.S. DEPARTMENT OF AGRICULTURE, FOREST SERVICE				
Direct Assistance				
Urban and Community Forestry Program				
	OH390600B6	10.675		44,000
Total U.S. Department of Agriculture, Forest Service				<u>44,000</u>
Total Federal Awards Expenditures			<u>\$6,000</u>	<u>\$1,063,985</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, 2016**

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, 2016. 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 - 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.



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, 2016, 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 20, 2017.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 20, 2017



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, 2016. 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, 2016.

Report on Internal Control Over Compliance

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 the 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 20, 2017

**CITY OF BOWLING GREEN
WOOD COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016**

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)?	No
<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?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CITY OF BOWLING GREEN
WOOD COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material weaknesses for posting and compilation errors.	Corrective Action Taken and Finding is Fully Corrected	



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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
SEPTEMBER 28, 2017**