CITY OF BOWLING GREEN
WOOD COUNTY, OHIO

SINGLE AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

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Members of City Council
City of Bowling Green
304 North Church Street
Bowling Green, Ohio 43402-2399

We have reviewed the *Independent Auditor's Report* of the City of Bowling Green, Wood County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Bowling Green is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

July 29, 2019

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CITY OF BOWLING GREEN
WOOD COUNTY, OHIO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-3
Management's Discussion and Analysis	5-14
Basic Financial Statements:	
Statement of Net Position	15
Statement of Activities	16-17
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities	21-22
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual	
General Fund	23
Playground and Recreation Fund	24
Statement of Fund Net Position - Proprietary Funds	25-26
Statement of Revenues, Expenses, and Change in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28-29
Statement of Fiduciary Net Position Custodial Funds	30
Statement of Change in Fiduciary Net Position Custodial Funds	31
Notes to the Basic Financial Statements	32-100
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability - Ohio Public Employees Retirement System – Traditional – Last Five Years	101
Schedule of the City's Proportionate Share of the Net Pension Asset - Ohio Public Employees Retirement System – Combined – 2018	102
Schedule of the City's Proportionate Share of the Net Pension Liability – Ohio Police and Fire Pension Fund – Last Five Years	103
Schedule of the City's Proportionate Share of the Net OPEB Liability	
Ohio Public Employees Retirement System – Last Two Years	104
Ohio Police and Fire Pension Fund – Last Two Years	105
Schedule of City Contributions	
Ohio Public Employees Retirement System – Last Six Years	106-107
Ohio Police and Fire Pension Fund – Last Ten Years	108-109
Notes to the Required Supplementary Information	110-112
Schedule of Expenditures of Federal Awards	113
Notes to the Schedule of Expenditures of Federal Awards	114-115
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	116-117
Report on Compliance for Each Major Program and On Internal Control over Compliance Required by the Uniform Guidance	118-119
Schedule of Findings and Questioned Costs	120
Schedule of Prior Findings and Recommendations	121

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Bowling Green
Bowling Green, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

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, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and the Playground and Recreation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* In addition, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The comparative enterprise fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 basic financial statements.

The comparative enterprise fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative enterprise fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 18, 2019

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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, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2018 are as follows:

In total, the City's net position decreased $329,062, less than 1 percent. The decrease in net position more than doubled for governmental activities (decreased $6,612,471 largely due to implementing GASB Statement No. 75) and increased by $6,283,409, or 4 percent, for the business-type activities (primarily from the contribution of capital assets).

A review of the enterprise funds reflects that all three enterprise funds had an operating loss for 2018. However, the Water and Sewer funds 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 2018. 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.

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.

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 2018 and 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	$35,278,194	$26,819,627	$46,695,619	$47,244,672	$81,973,813	$74,064,299
Net Pension Asset	155,428	0	149,337	0	304,765	0
Capital Assets, Net	47,016,971	44,235,782	136,383,204	118,731,758	173,400,175	162,967,540
Investment in Joint Venture	0	0	4,186,639	4,845,333	4,186,639	4,845,333
Total Assets	82,450,593	71,055,409	177,414,799	170,821,763	259,865,392	241,877,172
Deferred Outflows of Resources						
Pension	6,094,730	7,734,631	1,715,411	3,694,509	7,810,141	11,126,562
OPEB	3,155,943	102,759	509,374	67,175	3,665,317	169,934
Other Amounts	203,727	228,959	1,729,972	1,477,702	1,933,699	1,706,661
Total Deferred Outflows of Resources	9,454,400	8,066,349	3,954,757	5,239,386	13,409,157	13,003,157
Liabilities						
Current and Other Liabilities	3,279,983	4,190,844	5,374,593	5,613,963	8,654,576	9,804,807
Long-Term Liabilities						
Pension	28,418,006	30,478,596	6,904,827	9,511,526	35,322,833	39,990,122
OPEB	24,689,043	20,127,257	4,889,500	4,333,490	29,578,543	24,460,747
Other Amounts	41,808,872	27,035,787	3,776,833	4,153,323	45,585,705	31,189,110
Total Liabilities	98,195,904	81,832,484	20,945,753	23,612,302	119,141,657	105,444,786
Deferred Inflows of Resources						
Pension	2,656,725	266,193	1,686,499	359,187	4,343,224	322,802
OPEB	606,972	0	364,235	0	971,207	0
Other Amounts	2,834,938	2,800,156	0	0	2,834,938	2,800,156
Total Deferred Inflows of Resources	6,098,635	3,066,349	2,050,734	359,187	8,149,369	3,122,958

(continued)

Table 1
Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Net Position						
Net Investment in Capital Assets	$38,691,467	$35,535,168	$124,735,133	$116,705,406	$163,426,600	$152,240,574
Restricted	21,605,869	13,738,986	0	0	21,605,869	13,738,986
Unrestricted (Deficit)	(72,686,882)	(55,051,229)	33,637,936	35,384,254	(39,048,946)	(19,666,975)
Total Net Position (Deficit)	($12,389,546)	($5,777,075)	$158,373,069	$152,089,660	$145,983,523	$146,312,585

The net pension liability (asset) reported by the City at December 31, 2018, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For 2018, the City adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability (asset), and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements No. 68 and No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and the net OPEB liability, respectively, not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 75, the City is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $14,239,587 to ($5,777,075) for governmental activities and from $156,363,811 to $152,089,660 for business-type activities.

Pension/OPEB changes noted in the above table reflect an overall increase in deferred outflows and in deferred inflows. These changes are affected by changes in benefits, contribution rates, return on investments, and actuarial assumptions. The decrease in the net pension liability and increase in the net OPEB liability represent the City's proportionate share of the unfunded benefits.

Aside from changes related to pension, for governmental activities, there was a substantial increase in current and other assets. Several factors contributed to this increase. Cash and cash equivalents increased $1.9 million due to bond proceeds that were not spent as of year end and there was a new fee instituted by the City for trash and recycling pickup. There was an increase in the amount due from other governments for resources to be received by the City from the Ohio Water Development Authority and an increase in prepaid items for resources the City forwarded to the Ohio Department of Transportation for work to be performed on the City's behalf in 2019. There was also an increase in the receivable for municipal income taxes based on estimated receipts. The increase in net capital assets was largely the result of assets contributed to the City by the Ohio Department of Transportation for a roundabout. The decrease in current and other liabilities is due to payables at the end of the prior year related to contracts and retainage for street paving projects. The increase in other long-term liabilities is due to general obligation bonds issued to construct a new park building and for street and utility improvements as well as an increase in borrowing from the Ohio Water Development Authority for a water tower replacement, pump stations, and plant improvements.

For business-type activities, there was a modest decrease in current and other assets overall; although, there was an increase in cash and cash equivalents was almost $3.9 million due largely to rate increases. However, this was offset by a $4.7 million decrease in prepaid items as prepaid purchased power was used by the City. The increase in net capital assets and the investment in capital assets is largely due to assets contributed by governmental funds. The decrease in other long-term liabilities represents scheduled debt retirement.

Table 2 reflects the change in net position for 2018 and 2017.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	$5,002,255	$4,090,122	$73,167,647	$70,304,544	$78,169,902	$74,394,666
Operating Grants, Contributions, and Interest	1,848,720	1,959,357	0	0	1,848,720	1,959,357
Capital Grants and Contributions	3,372,881	931,665	0	0	3,372,881	931,665
Total Program Revenues	10,223,856	6,981,144	73,167,647	70,304,544	83,391,503	77,285,688
General Revenues						
Property Taxes-General Purposes	1,642,303	1,503,082	0	0	1,642,303	1,503,082
Property Taxes-Playground and Recreation	1,169,659	1,152,668	0	0	1,169,659	1,152,668
Municipal Income Taxes	21,259,395	19,827,973	0	0	21,259,395	19,827,973
Other Local Taxes	2,174,722	2,055,103	0	0	2,174,722	2,055,103
Grants and Entitlements not Restricted to Specific Programs	818,009	762,675	0	0	818,009	762,675
Franchise Taxes	252,577	245,469	0	0	252,577	245,469
Interest	683,948	446,075	(32,206)	37,456	651,742	483,531
Other	884,337	498,397	801,731	891,579	1,686,068	1,389,976
Total General Revenues	28,884,950	26,491,442	769,525	929,035	29,654,475	27,420,477
Total Revenues	39,108,806	33,472,586	73,937,172	71,233,579	113,045,978	104,706,165
Program Expenses						
Security of Persons and Property						
Police	7,782,362	6,866,356	0	0	7,782,362	6,866,356
Fire/Ambulance	8,013,710	7,184,016	0	0	8,013,710	7,184,016
Public Health	107,328	102,565	0	0	107,328	102,565
Leisure Time Activities	2,788,239	2,730,092	0	0	2,788,239	2,730,092
Community Environment	1,049,177	987,222	0	0	1,049,177	987,222
Basic Utility Services	829,334	756,180	0	0	829,334	756,180
Transportation	7,318,717	6,709,667	0	0	7,318,717	6,709,667
General Government						
Court	1,788,058	1,863,033	0	0	1,788,058	1,863,033
Other	5,485,030	3,188,837	0	0	5,485,030	3,188,837
Internal Service Fund External Portion	25,550	25,190	0	0	25,550	25,190
Interest and Fiscal Charges	1,009,489	576,345	0	0	1,009,489	576,345
Electric	0	0	64,921,229	59,563,004	64,921,229	59,563,004
Water	0	0	6,404,036	6,545,784	6,404,036	6,545,784
Sewer	0	0	5,852,781	6,018,683	5,852,781	6,018,683
Total Expenses	36,196,994	30,989,503	77,178,046	72,127,471	113,375,040	103,116,974
Increase (Decrease) in Net Position Before Transfers	2,911,812	2,483,083	(3,240,874)	(893,892)	(329,062)	1,589,191
Transfers	(9,524,283)	(5,628,048)	9,524,283	5,628,048	0	0
Increase (Decrease) in Net Position	(6,612,471)	(3,144,965)	6,283,409	4,734,156	(329,062)	1,589,191
Net Position (Deficit) Beginning of Year	(5,777,075)	N/A	152,089,660	N/A	146,312,585	N/A
Net Position (Deficit) End of Year	($12,389,546)	($5,777,075)	$158,373,069	$152,089,660	$145,983,523	$146,312,585

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 program expenses still include OPEB expense of $169,934 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 financial statements report OPEB expense of $2,639,558. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed.

	Governmental Activities	Business-Type Activities	Total
Total 2018 Program Expenses Under GASB Statement No. 75	$36,196,994	$77,178,046	$113,375,040
OPEB Expense Under GASB Statement No. 75	(2,147,085)	(492,473)	(2,639,558)
2018 Contractually Required Contribution	41,267	4,671	45,938
Adjusted 2018 Program Expenses	34,091,176	76,690,244	110,781,420
Total 2017 Program Expenses Under GASB Statement No. 45	30,989,503	72,127,471	103,116,974
Increase in Program Expenses Not Related to OPEB	$3,101,673	$4,562,773	$7,664,446

For governmental activities, there was a significant increase in program revenues. Charges for services increased, in large part, due to a new fee instituted by the City for trash and recycling pickup. The increase in capital grants and contributions is primarily the result of assets contributed to the City by the Ohio Department of Transportation for a roundabout. The most significant change in general revenues is the increase in municipal income taxes and in other revenue generally due to a reimbursement from the Ohio Bureau of Workers' Compensation. The increase in expenses is due to salary and benefit increases and the changes related to pension/OPEB.

As expected, program revenues make up a significant portion of the total revenues for business-type activities (99 percent). The increase in charge for services is due to rate increases. The most significant change in expenses is in the Electric Fund and due to an increase in the kilowatts of electricity purchased.

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	
	2018	2017	2018	2017
Security of Persons and Property				
Police	$7,782,362	$6,866,356	$7,427,361	$6,523,789
Fire/Ambulance	8,013,710	7,184,016	7,404,750	6,657,595
Public Health	107,328	102,565	19,203	23,665
Leisure Time Activities	2,788,239	2,730,092	1,808,501	1,715,851
Community Environment	1,049,177	987,222	707,465	707,819
Basic Utility Services	829,334	756,180	(1,015,453)	694,029
Transportation	7,318,717	6,709,667	3,030,431	3,771,030
General Government				
Court	1,788,058	1,863,033	364,252	402,803
Other	5,485,030	3,188,837	5,218,952	2,941,940
Internal Service Fund External Portion	25,550	25,190	(1,813)	(6,507)
Interest and Fiscal Charges	1,009,489	576,345	1,009,489	576,345
Total Expenses	$36,196,994	$30,989,503	$25,973,138	$24,008,359

For 2018, general revenues provided for 72 percent of the costs of providing governmental activities services (77 percent in 2017). 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 2018 included the leisure time activities and transportation programs. The leisure time activities program is supported through admission and sports fees, rentals, and concession charges. 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 2018, the General Fund had a 12 percent increase in fund balance. Revenues increased 13 percent due largely to items previously mentioned; new fee for trash and recycling pickup and a reimbursement from the Bureau of Workers' Compensation along with modest increases in most other revenue sources. The 7 percent increase in expenditures is primarily salary and benefit increases.

There was very little change in fund balance in the Playground and Recreation Fund.

The Sewer and Water Capital Improvement Fund had an increase in fund balance despite a substantial increase in expenditures based on projects undertaken in 2018. The increase in fund balance is primarily the result of general obligation bonds issued and an increase in debt proceeds from the Ohio Water Development Authority.

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 all three funds had an operating loss in 2018.

In addition to an operating loss, the Electric Fund also had a decrease in net position. There was a modest 4 percent increase in revenue; however, a 9 percent increase in expenses primarily due to an increase in purchased power costs.

The increase in net position in the Water Fund was primarily due to capital contributions.

The increase in net position in the Sewer Fund was due to capital contributions.

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, 2018, was $38,691,467 and $124,735,133, 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 recreation buildings, the construction of a greenspace, miscellaneous equipment, a sign truck and refuse truck for the public works department, police and fire vehicles, and street improvements. The most significant additions for business-type activities were transformer replacement, improvements at the wastewater treatment plant, and electric, water, and sewer lines. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2018, the City had $16,350,000 in general obligation bonds and $23,173,303 in OWDA loans payable from governmental activities. Business-type activities had $1,755,000 in general obligation bonds outstanding at year end. In addition, business-type activities, specifically the Electric enterprise fund, owed AMP-Ohio $712,127 related to the City's obligation for the AMPGS project which was terminated. During 2018, the City issued $9,815,000 in general obligation bonds for the construction of a new park building and for street and utility improvements.

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

CURRENT ISSUES

In May 2019, the City issued general obligation bond anticipation notes, in the amount of $1,900,000, for two projects. The first is for real estate purchases in the downtown area for various uses including parking and possible future expansion of existing city facilities. The second project is for continued work on the new multipurpose building in the City park scheduled for completion in late 2019.

A project, in cooperation with the Ohio Department of Transportation, begun last year for the construction of two "roundabouts" at the interchange of I-75 and East Wooster Street is scheduled for completion in 2019.

A water cost of service plan and five-year rate plan was approved by the Board of Public Utilities in May 2018. In addition, there are several utility projects that have been funded by Ohio Water Development Authority and Environmental Protection Agency loans. These include improvements to the grit chamber and headworks at the wastewater treatment plant, rapid sand filters and fluoride improvements, and expansion of the microfiltration membranes at the water treatment plant as well as construction of the pump station and force main on Conneaut Avenue.

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.

City of Bowling Green
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$20,789,615	$35,514,125	$56,303,740
Cash and Cash Equivalents in Segregated Accounts	4,055	0	4,055
Accounts Receivable	688,853	8,841,371	9,530,224
Accrued Interest Receivable	134,729	0	134,729
Due from Other Governments	1,793,704	30,523	1,824,227
Municipal Income Taxes Receivable	2,985,793	0	2,985,793
Other Local Taxes Receivable	77,406	116,014	193,420
Internal Balances	168,081	(168,081)	0
Prepaid Items	4,935,224	177,866	5,113,090
Materials and Supplies Inventory	0	1,471,674	1,471,674
Property Taxes Receivable	2,863,860	0	2,863,860
Notes Receivable	674,840	0	674,840
Special Assessments Receivable	162,034	0	162,034
Recovered Purchased Power Receivable	0	712,127	712,127
Net Pension Asset	155,428	149,337	304,765
Nondepreciable Capital Assets	9,271,146	17,351,260	26,622,406
Depreciable Capital Assets, Net	37,745,825	109,031,944	146,777,769
Investment in Joint Venture	0	4,186,639	4,186,639
Total Assets	82,450,593	177,414,799	259,865,392
Deferred Outflows of Resources			
Deferred Charge on Refunding	203,727	107,215	310,942
Recovered Purchased Power	0	1,622,757	1,622,757
Pension	6,094,730	1,715,411	7,810,141
OPEB	3,155,943	509,374	3,665,317
Total Deferred Outflows of Resources	9,454,400	3,954,757	13,409,157
Liabilities			
Accrued Wages Payable	582,535	265,419	847,954
Accounts Payable	1,231,456	4,863,968	6,095,424
Contracts Payable	961,622	286	961,908
Due to Other Governments	438,973	241,844	680,817
Accrued Interest Payable	40,130	3,076	43,206
Retainage Payable	25,267	0	25,267
Long-Term Liabilities			
Due Within One Year	3,545,590	852,963	4,398,553
Due in More Than One Year			
Net Pension Liability	28,418,006	6,904,827	35,322,833
Net OPEB Liability	24,689,043	4,889,500	29,578,543
Other Amounts Due in More Than One Year	38,263,282	2,923,870	41,187,152
Total Liabilities	98,195,904	20,945,753	119,141,657
Deferred Inflows of Resources			
Property Taxes	2,834,938	0	2,834,938
Pension	2,656,725	1,686,499	4,343,224
OPEB	606,972	364,235	971,207
Total Deferred Inflows of Resources	6,098,635	2,050,734	8,149,369
Net Position			
Net Investment in Capital Assets	38,691,467	124,735,133	163,426,600
Restricted for			
Debt Service	165,767	0	165,767
Capital Projects	16,820,932	0	16,820,932
Playground and Recreation	433,894	0	433,894
Street Maintenance and Repair	941,391	0	941,391
Community Development	867,027	0	867,027
Security of Persons and Property - Police	486,812	0	486,812
Security of Persons and Property - Fire	939,130	0	939,130
Other Purposes	950,916	0	950,916
Unrestricted (Deficit)	(72,686,882)	33,637,936	(39,048,946)
Total Net Position (Deficit)	($12,389,546)	$158,373,069	$145,983,523

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
Security of Persons and Property				
Police	$7,782,362	$321,495	$33,506	$0
Fire	8,013,710	608,960	0	0
Public Health	107,328	88,125	0	0
Leisure Time Activities	2,788,239	859,646	16,616	103,476
Community Environment	1,049,177	45,083	296,629	0
Basic Utility Services	829,334	814,717	0	1,030,070
Transportation	7,318,717	748,321	1,300,630	2,239,335
General Government				
Court	1,788,058	1,229,603	194,203	0
Other	5,485,030	258,942	7,136	0
Internal Service Fund				
External Portion	25,550	27,363	0	0
Interest and Fiscal Charges	1,009,489	0	0	0
Total Governmental Activities	36,196,994	5,002,255	1,848,720	3,372,881
Business-Type Activities				
Electric	64,921,229	62,880,864	0	0
Water	6,404,036	5,975,429	0	0
Sewer	5,852,781	4,311,354	0	0
Total Business-Type Activities	77,178,046	73,167,647	0	0
Total	$113,375,040	$78,169,902	$1,848,720	$3,372,881

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 (Deficit) Beginning of Year - Restated (Note 3)

Net Position (Deficit) 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
($7,427,361)	$0	($7,427,361)
(7,404,750)	0	(7,404,750)
(19,203)	0	(19,203)
(1,808,501)	0	(1,808,501)
(707,465)	0	(707,465)
1,015,453	0	1,015,453
(3,030,431)	0	(3,030,431)
(364,252)	0	(364,252)
(5,218,952)	0	(5,218,952)
1,813	0	1,813
(1,009,489)	0	(1,009,489)
(25,973,138)	0	(25,973,138)
0	(2,040,365)	(2,040,365)
0	(428,607)	(428,607)
0	(1,541,427)	(1,541,427)
0	(4,010,399)	(4,010,399)
(25,973,138)	(4,010,399)	(29,983,537)
1,642,303	0	1,642,303
1,169,659	0	1,169,659
7,972,274	0	7,972,274
531,485	0	531,485
5,314,848	0	5,314,848
5,314,849	0	5,314,849
2,125,939	0	2,125,939
2,174,722	0	2,174,722
818,009	0	818,009
252,577	0	252,577
683,948	(32,206)	651,742
884,337	801,731	1,686,068
28,884,950	769,525	29,654,475
(9,524,283)	9,524,283	0
19,360,667	10,293,808	29,654,475
(6,612,471)	6,283,409	(329,062)
(5,777,075)	152,089,660	146,312,585
($12,389,546)	$158,373,069	$145,983,523

City of Bowling Green
Balance Sheet
Governmental Funds
December 31, 2018

	General	Playground and Recreation	Sewer and Water Capital Improvement	Other Governmental	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$4,920,082	$559,088	$6,382,127	$8,605,120	$20,466,417
Cash and Cash Equivalents in Segregated Accounts	0	0	0	4,055	4,055
Accounts Receivable	688,338	0	0	0	688,338
Accrued Interest Receivable	134,729	0	0	0	134,729
Due from Other Governments	471,560	9,666	823,125	489,239	1,793,590
Municipal Income Taxes Receivable	1,119,673	74,645	746,448	1,045,027	2,985,793
Other Local Taxes Receivable	63,060	0	0	14,346	77,406
Interfund Receivable	177,883	0	0	275,000	452,883
Prepaid Items	208,613	15,427	1,383,699	3,325,321	4,933,060
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	56,072	0	0	0	56,072
Property Taxes Receivable	1,670,525	933,732	0	259,603	2,863,860
Notes Receivable	0	0	0	674,840	674,840
Special Assessments Receivable	0	0	0	162,034	162,034
Total Assets	$9,510,535	$1,592,558	$9,335,399	$14,854,585	$35,293,077
Liabilities and Fund Balance					
Liabilities					
Accrued Wages Payable	$396,078	$7,535	$0	$175,052	$578,665
Accounts Payable	670,643	52,738	147,296	357,250	1,227,927
Contracts Payable	0	0	840,456	121,166	961,622
Due to Other Governments	300,731	25,719	0	110,748	437,198
Interfund Payable	9,730	608	3,769	279,005	293,112
Retainage Payable	0	0	25,267	0	25,267
Total Liabilities	1,377,182	86,600	1,016,788	1,043,221	3,523,791
Deferred Inflows of Resources					
Property Taxes	1,653,394	924,652	0	256,892	2,834,938
Unavailable Revenue	1,592,076	51,666	828,520	1,049,408	3,521,670
Total Deferred Inflows of Resources	3,245,470	976,318	828,520	1,306,300	6,356,608
Fund Balance					
Nonspendable	264,685	15,427	1,383,699	3,325,321	4,989,132
Restricted	0	514,213	6,106,392	8,766,180	15,386,785
Committed	172,442	0	0	651,624	824,066
Assigned	910,881	0	0	19,972	930,853
Unassigned (Deficit)	3,539,875	0	0	(258,033)	3,281,842
Total Fund Balance	4,887,883	529,640	7,490,091	12,505,064	25,412,678
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$9,510,535	$1,592,558	$9,335,399	$14,854,585	$35,293,077

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, 2018

Total Governmental Fund Balance		$25,412,678
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental Activities	47,016,971	
Internal Service Fund	(15,685)	
		47,001,286
Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		203,727
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	608,921	
Accrued Interest Receivable	106,429	
Due from Other Governments	1,230,395	
Municipal Income Taxes Receivable	1,379,428	
Other Local Taxes Receivable	5,541	
Delinquent Property Taxes Receivable	28,922	
Special Assessments Receivable	162,034	
		3,521,670
An internal balance is recorded in governmental activities to reflect underpayments to the internal service fund by the business-type activities.		3,580
The net pension/OPEB liability (asset) is not due and payable in the current period, therefore, the asset, liability, and related deferred outflows/inflows are not reported in the governmental funds.		
Net Pension Asset	155,428	
Net Pension Asset - Internal Service Fund	(3,049)	
Deferred Outflows - Pension	6,094,730	
Deferred Outflows - Pension - Internal Service Fund	(39,405)	
Deferred Inflows - Pension	(2,656,725)	
Deferred Inflows - Pension - Internal Service Fund	34,419	
Net Pension Liability	(28,418,006)	
Net Pension Liability - Internal Service Fund	140,915	
Deferred Outflows - OPEB	3,155,943	
Deferred Outflows - OPEB - Internal Service Fund	(10,395)	
Deferred Inflows - OPEB	(606,972)	
Deferred Inflows - OPEB - Internal Service Fund	7,433	
Net OPEB Liability	(24,689,043)	
Net OPEB Liability - Internal Service Fund	99,786	
		(46,734,941)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(40,130)	
General Obligation Bonds Payable	(16,350,000)	
OWDA Loans Payable	(23,173,303)	
Compensated Absences Payable	(2,244,488)	
Compensated Absences Payable - Internal Service Fund	9,753	
Capital Leases Payable	(41,081)	
		(41,839,249)
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.		41,703
Net Position of Governmental Activities		($12,389,546)

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, 2018

	General	Playground and Recreation	Sewer and Water Capital Improvement	Other Governmental	Total Governmental Funds
Revenues					
Property Taxes	$1,639,276	$913,539	$0	$253,812	$2,806,627
Municipal Income Taxes	7,550,900	503,393	5,033,934	7,047,510	20,135,737
Other Local Taxes	2,450,459	0	0	167,807	2,618,266
Special Assessments	0	0	0	48,161	48,161
Charges for Services	2,852,763	859,600	0	179,574	3,891,937
Fees, Licenses, and Permits	62,494	0	0	11,254	73,748
Fines and Forfeitures	473,098	46	0	337,050	810,194
Intergovernmental	1,258,272	16,876	257,428	1,837,373	3,369,949
Interest	684,551	0	0	28,018	712,569
Other	433,048	180,889	38,490	228,010	880,437
Total Revenues	17,404,861	2,474,343	5,329,852	10,138,569	35,347,625
Expenditures					
Current:					
Security of Persons and Property					
Police	4,782,702	0	0	1,580,598	6,363,300
Fire	2,890,973	0	0	3,439,259	6,330,232
Public Health	82,634	0	0	4,413	87,047
Leisure Time Activities	86,284	2,238,538	0	212,875	2,537,697
Community Environment	687,706	0	0	253,403	941,109
Basic Utility Services	738,045	0	0	0	738,045
Transportation	3,007,306	0	0	3,427,871	6,435,177
General Government					
Court	1,312,973	0	0	169,839	1,482,812
Other	3,233,394	25,304	253,034	354,245	3,865,977
Capital Outlay	0	0	10,824,721	913,242	11,737,963
Debt Service					
Principal Retirement	0	0	1,948,643	1,395,878	3,344,521
Interest and Fiscal Charges	0	0	408,846	551,269	960,115
Total Expenditures	16,822,017	2,263,842	13,435,244	12,302,892	44,823,995
Excess of Revenues Over (Under) Expenditures	582,844	210,501	(8,105,392)	(2,164,323)	(9,476,370)
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	0	1,833,000	7,982,000	9,815,000
OWDA Loans Issued	0	0	7,440,328	0	7,440,328
Sale of Capital Assets	3,900	0	0	0	3,900
Transfers In	0	0	0	1,844,363	1,844,363
Transfers Out	(67,009)	(204,076)	0	(1,573,278)	(1,844,363)
Total Other Financing Sources (Uses)	(63,109)	(204,076)	9,273,328	8,253,085	17,259,228
Change in Fund Balance	519,735	6,425	1,167,936	6,088,762	7,782,858
Fund Balance Beginning of Year	4,368,148	523,215	6,322,155	6,416,302	17,629,820
Fund Balance End of Year	$4,887,883	$529,640	$7,490,091	$12,505,064	$25,412,678

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Reconciliation of Statement of Revenues, Expenditures,
and Change in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2018

Change in Fund Balance - Total Governmental Funds		$7,782,858
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 capital outlay exceeded depreciation in the current year.		
Capital Outlay	3,341,109	
Capital Contributions	2,679,235	
Depreciation	(3,230,530)	
Depreciation - Internal Service Fund	6,015	
		2,795,829
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital asset is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.		
Proceeds from Sale of Capital Assets	(3,900)	
Gain on Disposal of Capital Assets	3,900	
Loss on Disposal of Capital Assets	(8,625)	
		(8,625)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Property Taxes	5,335	
Municipal Income Taxes	1,123,658	
Other Local Taxes	(23,160)	
Special Assessments	(40,494)	
Charges for Services	29,796	
Intergovernmental	(37,592)	
Fines and Forfeitures	(6,257)	
Interest	(603)	
OWDA Loans Issued	480,314	
		1,530,997
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	1,425,000	
OWDA Loans Payable	1,879,643	
Capital Leases Payable	39,878	
		3,344,521
Debt proceeds are reported as other financing sources in the governmental funds but the issuance increases long-term liabilites on the statement of net position.		
General Obligation Bonds Payable	(9,815,000)	
OWDA Loans Payable	(7,920,642)	
		(17,735,642)
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	(24,142)	
Amortization of Deferred Charge on Refunding	(25,232)	
		(49,374)
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	(381,964)	
Compensated Absences Payable - Internal Service Fund	(1,478)	
		(383,442)

(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, 2018
(continued)

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.		
Pension Expense	($4,269,251)	
Pension Expense - Internal Service Fund	31,542	
OPEB Expense	(2,156,934)	
OPEB Expense - Internal Service Fund	9,849	
		(6,384,794)
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 - Pension	2,454,836	
Contractually Required Contributions - Pension - Internal Service Fund	(17,405)	
Contractually Required Contributions - OPEB	41,360	
Contractually Required Contributions - OPEB - Internal Service Fund	(93)	
		2,478,698
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.		14,690
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.		1,813
Change in Net Position of Governmental Activities		($6,612,471)

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, 2018

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	$1,504,501	$1,641,654	$1,639,276	($2,378)
Other Local Taxes	2,407,011	2,407,011	2,419,494	12,483
Charges for Services	2,694,249	2,694,249	2,673,933	(20,316)
Fees, Licenses, and Permits	31,455	31,455	62,494	31,039
Fines and Forfeitures	377,500	377,500	352,315	(25,185)
Intergovernmental	1,529,683	1,397,723	1,270,029	(127,694)
Interest	550,000	550,000	821,841	271,841
Other	38,550	93,050	278,349	185,299
Total Revenues	9,132,949	9,192,642	9,517,731	325,089
Expenditures				
Current:				
Security of Persons and Property				
Police	4,672,347	4,789,327	4,765,334	23,993
Fire	3,113,559	3,070,059	3,040,314	29,745
Public Health	79,352	85,776	82,263	3,513
Community Environment	774,621	786,340	730,940	55,400
Basic Utility Services	819,945	812,032	789,711	22,321
Transportation	3,380,739	3,337,769	3,247,393	90,376
General Government				
Court	1,407,516	1,363,564	1,317,576	45,988
Other	2,680,315	2,752,148	2,678,375	73,773
Total Expenditures	16,928,394	16,997,015	16,651,906	345,109
Excess of Revenues Under Expenditures	(7,795,445)	(7,804,373)	(7,134,175)	670,198
Other Financing Sources (Uses)				
Other Financing Sources	0	0	7,875	7,875
Sale of Capital Assets	3,900	3,900	3,900	0
Transfers In	7,219,957	7,219,957	7,219,957	0
Transfers Out	(200,641)	(200,641)	(138,021)	62,620
Total Other Financing Sources (Uses)	7,023,216	7,023,216	7,093,711	70,495
Change in Fund Balance	(772,229)	(781,157)	(40,464)	740,693
Fund Balance Beginning of Year	3,015,909	3,015,909	3,015,909	0
Prior Year Encumbrances Appropriated	909,382	909,382	909,382	0
Fund Balance End of Year	$3,153,062	$3,144,134	$3,884,827	$740,693

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, 2018

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property Taxes	$844,963	$839,259	$913,539	$74,280
Municipal Income Taxes	500,000	500,000	501,304	1,304
Charges for Services	880,750	880,750	857,443	(23,307)
Fines and Forfeitures	350	350	46	(304)
Intergovernmental	89,773	89,773	16,876	(72,897)
Other	105,400	105,400	180,773	75,373
Total Revenues	2,421,236	2,415,532	2,469,981	54,449
Expenditures				
Current:				
Leisure Time Activities	2,608,730	2,608,730	2,444,761	163,969
General Government				
Other	20,556	21,782	21,321	461
Total Expenditures	2,629,286	2,630,512	2,466,082	164,430
Excess of Revenues Over (Under) Expenditures	(208,050)	(214,980)	3,899	218,879
Other Financing Uses				
Transfers Out	0	(204,076)	(204,076)	0
Change in Fund Balance	(208,050)	(419,056)	(200,177)	218,879
Fund Balance Beginning of Year	418,642	418,642	418,642	0
Prior Year Encumbrances Appropriated	213,893	213,893	213,893	0
Fund Balance End of Year	$424,485	$213,479	$432,358	$218,879

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Business-Type Activities				Governmental Activity
	Electric	Water	Sewer	Total Enterprise Funds	Internal Service Fund
Assets					
Current Assets					
Equity in Pooled Cash and Cash Equivalents	$27,028,592	$6,032,814	$2,452,719	$35,514,125	$267,126
Accounts Receivable	7,543,076	682,596	615,699	8,841,371	515
Due from Other Governments	2,581	6,104	21,838	30,523	114
Other Local Taxes Receivable	116,014	0	0	116,014	0
Interfund Receivable	19,057	25,058	130	44,245	4,730
Prepaid Items	93,271	43,577	41,018	177,866	2,164
Materials and Supplies Inventory	1,115,229	356,445	0	1,471,674	0
Total Current Assets	35,917,820	7,146,594	3,131,404	46,195,818	274,649
Non-Current Assets					
Recovered Purchased Power Receivable	712,127	0	0	712,127	0
Net Pension Asset	64,001	42,668	42,668	149,337	3,049
Nondepreciable Capital Assets	1,562,654	4,927,737	10,860,869	17,351,260	0
Depreciable Capital Assets, Net	18,442,616	48,489,205	42,100,123	109,031,944	15,685
Investment in Joint Venture	4,186,639	0	0	4,186,639	0
Total Non-Current Assets	24,968,037	53,459,610	53,003,660	131,431,307	18,734
Total Assets	60,885,857	60,606,204	56,135,064	177,627,125	293,383
Deferred Outflows of Resources					
Deferred Charge on Refunding	0	23,889	83,326	107,215	0
Recovered Purchased Power	1,622,757	0	0	1,622,757	0
Pension	826,916	556,370	556,224	1,939,510	39,405
OPEB	218,304	145,535	145,535	509,374	10,395
Total Deferred Outflows of Resources	2,667,977	725,794	785,085	4,178,856	49,800
Liabilities					
Current Liabilities					
Accrued Wages Payable	115,097	75,944	74,378	265,419	3,870
Accounts Payable	4,562,792	187,195	113,981	4,863,968	3,529
Contracts Payable	286	0	0	286	0
Due to Other Governments	106,339	74,962	60,543	241,844	1,775
Interfund Payable	179,298	3,130	26,318	208,746	0
Accrued Interest Payable	0	683	2,393	3,076	0
General Obligation Bonds Payable	0	75,000	265,000	340,000	0
Compensated Absences Payable	201,061	119,980	119,922	440,963	7,465
AMP Ohio Payable	72,000	0	0	72,000	0
Total Current Liabilities	5,236,873	536,894	662,535	6,436,302	16,639
Non-Current Liabilities					
General Obligation Bonds Payable	0	315,000	1,100,000	1,415,000	0
Compensated Absences Payable	381,580	233,891	253,272	868,743	2,288
AMP Ohio Payable	640,127	0	0	640,127	0
Net Pension Liability	2,959,213	1,972,807	1,972,807	6,904,827	140,915
Net OPEB Liability	2,095,500	1,397,000	1,397,000	4,889,500	99,786
Total Non-Current Liabilities	6,076,420	3,918,698	4,723,079	14,718,197	242,989
Total Liabilities	11,313,293	4,455,592	5,385,614	21,154,499	259,628

(continued)

City of Bowling Green
Statement of Fund Net Position
Proprietary Funds
December 31, 2018
(continued)

	Business-Type Activities				Governmental Activity
	Electric	Water	Sewer	Total Enterprise Funds	Internal Service Fund
Deferred Inflows of Resources					
Pension	$835,002	$556,668	$518,928	$1,910,598	$34,419
OPEB	156,101	104,067	104,067	364,235	7,433
Total Deferred Inflows of Resources	991,103	660,735	622,995	2,274,833	41,852
Net Position					
Net Investment in Capital Assets	20,004,984	53,050,831	51,679,318	124,735,133	15,685
Unrestricted (Deficit)	31,244,454	3,164,840	(767,778)	33,641,516	26,018
Total Net Position	$51,249,438	$56,215,671	$50,911,540	158,376,649	$41,703
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.				(3,580)	
Net position of business-type activities				$158,373,069	

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Revenues, Expenses,
and Change in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities				Governmental Activity
	Electric	Water	Sewer	Total Enterprise Funds	Internal Service Fund
Operating Revenues					
Charges for Services	$61,265,937	$5,975,429	$4,311,354	$71,552,720	$270,772
Other	425,004	132,724	244,003	801,731	2,857
Total Operating Revenues	61,690,941	6,108,153	4,555,357	72,354,451	273,629
Operating Expenses					
Purchased Power	54,715,056	0	0	54,715,056	0
Plant Operation	0	2,790,139	2,370,451	5,160,590	0
Geographical Information Systems	299,450	74,233	86,002	459,685	0
Distribution Operation	3,542,597	1,307,135	1,057,766	5,907,498	0
Administrative and General	2,450,051	726,099	622,994	3,799,144	0
Information and Technology	138,779	46,452	47,029	232,260	0
Sustainability	757	280	280	1,317	0
Depreciation	1,501,179	1,446,466	1,619,762	4,567,407	6,015
Other	0	0	0	0	249,478
Total Operating Expenses	62,647,869	6,390,804	5,804,284	74,842,957	255,493
Operating Income (Loss)	(956,928)	(282,651)	(1,248,927)	(2,488,506)	18,136
Non-Operating Revenues (Expenses)					
Excise Taxes	1,614,927	0	0	1,614,927	0
Excise Taxes Expense	(1,614,927)	0	0	(1,614,927)	0
Interest Revenue	(32,206)	0	0	(32,206)	0
Interest Expense	0	(13,771)	(49,330)	(63,101)	0
Investment in Joint Venture	(658,694)	0	0	(658,694)	0
Total Non-Operating Revenues (Expenses)	(690,900)	(13,771)	(49,330)	(754,001)	0
Income (Loss) before Contributions	(1,647,828)	(296,422)	(1,298,257)	(3,242,507)	18,136
Capital Contributions	0	2,581,158	6,943,125	9,524,283	0
Change in Net Position	(1,647,828)	2,284,736	5,644,868	6,281,776	18,136
Net Position Beginning of Year - Restated (Note 3)	52,897,266	53,930,935	45,266,672		23,567
Net Position End of Year	$51,249,438	$56,215,671	$50,911,540		$41,703
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.				1,633	
Change in net position of business-type activities				$6,283,409	

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Actvities				Governmental Activity
	Electric	Water	Sewer	Total Enterprise Funds	Internal Service Fund
Increases (Decreases) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	$61,420,653	$5,892,886	$4,273,437	$71,586,976	$0
Cash Received from Transactions with Other Funds	0	0	0	0	290,525
Cash Payments for Purchased Power	(50,445,881)	0	0	(50,445,881)	0
Cash Payments for Plant Operation	0	(2,644,127)	(2,175,781)	(4,819,908)	0
Cash Payments for Geographical Information Systems	(280,269)	(70,006)	(80,989)	(431,264)	0
Cash Payments for Distribution Operation	(3,531,399)	(1,436,043)	(960,618)	(5,928,060)	0
Cash Payments for Administrative and General	(2,275,701)	(672,787)	(598,534)	(3,547,022)	0
Cash Payments for Information and Technology	(178,114)	(49,693)	(48,982)	(276,789)	0
Cash Received from Other Revenues	423,529	211,025	243,288	877,842	2,768
Cash Payments for Other Expenses	0	0	0	0	(228,490)
Net Cash Provided by Operating Activities	5,132,818	1,231,255	651,821	7,015,894	64,803
Cash Flows from Noncapital Financing Activities					
Cash Received from Excise Taxes	1,614,927	0	0	1,614,927	0
Cash Payments for Excise Tax Distribution	(1,614,927)	0	0	(1,614,927)	0
Net Cash Provided by Noncapital Financing Activities	0	0	0	0	0
Cash Flows from Capital and Related Financing Activities					
Principal Paid on General Obligation Bonds	0	(70,000)	(260,000)	(330,000)	0
Interest Paid on General Obligation Bonds	0	(9,600)	(33,913)	(43,513)	0
Acquisition of Capital Assets	(2,090,766)	(493,802)	(178,421)	(2,762,989)	0
Net Cash Used for Capital and Related Financing Activities	(2,090,766)	(573,402)	(472,334)	(3,136,502)	0
Net Increase in Cash and Cash Equivalents	3,042,052	657,853	179,487	3,879,392	64,803
Cash and Cash Equivalents Beginning of Year	23,986,540	5,374,961	2,273,232	31,634,733	202,323
Cash and Cash Equivalents End of Year	$27,028,592	$6,032,814	$2,452,719	$35,514,125	$267,126

(continued)

City of Bowling Green
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018
(continued)

	Business-Type Actvities				Governmental Activity
	Electric	Water	Sewer	Total Enterprise Funds	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	($956,928)	($282,651)	($1,248,927)	($2,488,506)	$18,136
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	1,501,179	1,446,466	1,619,762	4,567,407	6,015
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	142,707	6,988	(21,063)	128,632	10,596
(Increase) Decrease in Due from Other Governments	10,309	(4,536)	(17,554)	(11,781)	(114)
Decrease in Other Local Taxes Receivable	2,669	0	0	2,669	0
(Increase) Decrease in Interfund Receivable	225	(6,694)	(15)	(6,484)	9,182
(Increase) Decrease in Prepaid Items	4,614,122	14,352	12,956	4,641,430	(41)
Increase in Materials and Supplies Inventory	(197,417)	(265,165)	0	(462,582)	0
Increase in Recovered Purchased Power Receivable	(220,983)	0	0	(220,983)	0
Increase in Net Pension Asset	(37,356)	(24,904)	(24,904)	(87,164)	(1,779)
Increase (Decrease) in Accrued Wages Payable	10,090	5,792	8,610	24,492	(767)
Decrease in Accounts Payable	(132,732)	(15,556)	(293)	(148,581)	(107)
Decrease in Contracts Payable	(49,992)	(2,749)	0	(52,741)	0
Increase (Decrease) in Due to Other Governments	32,212	2,347	(28,130)	6,429	(512)
Increase (Decrease) in Interfund Payable	58,276	(4,569)	856	54,563	0
Increase (Decrease) in Compensated Absences Payable	4,840	40,020	(5,469)	39,391	(1,478)
Decrease in AMP-Ohio Payable	(85,881)	0	0	(85,881)	0
Increase in Net Pension Liability	64,361	42,905	42,905	150,171	3,065
Increase in Net OPEB Liability	113,640	75,761	75,761	265,162	5,411
Decrease in Deferred Outflows - Pension	608,370	436,041	435,155	1,479,566	28,887
Decrease in Deferred Outflows - OPEB	130,261	86,841	86,841	303,943	6,203
Decrease in Deferred Inflows - Pension	(440,129)	(293,417)	(258,653)	(992,199)	(16,036)
Decrease in Deferred Inflows - OPEB	(39,025)	(26,017)	(26,017)	(91,059)	(1,858)
Net Cash Provided by Operating Activities	$5,132,818	$1,231,255	$651,821	$7,015,894	$64,803

Non-Cash Capital Financing Activities:

At December 31, 2018, the Electric enterprise fund had payables related to the acquisition of capital assets, in the amount of $286. At December 31, 2017, the Electric and Sewer enterprise funds had payables related to the acquisition of capital assets, in the amount of $18,013 and $50,692, respectively.

The Water and Sewer enterprise funds received capital assets that were constructed in the City's governmental funds, in the amount of $2,581,158 and $6,943,125, respectively.

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2018

Assets	
Cash and Cash Equivalents in Segregated Accounts	$254,763
Special Assessments Receivable	90,916
Total Assets	345,679
Liabilities	
Accounts Payable	90,916
Net Position	
Restricted for Individuals, Organizations, and Other Governments	$254,763

See Accompanying Notes to the Basic Financial Statements

City of Bowling Green
Statement of Change in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2018

Additions	
Fines and Forfeitures for Other Governments	$2,111,711
Special Assessments Collections for Others	86,986
Total Additions	2,198,697
Deductions	
Fines and Forfeitures Distributions to Other Governments	2,122,794
Special Assessments Distributions to Others	86,986
Total Deductions	2,209,780
Net Decrease in Fiduciary Net Position	(11,083)
Net Position Beginning of Year - Restated (Note 3)	265,846
Net Position End of Year	$254,763

See Accompanying Notes to the Basic Financial Statements

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 2018.

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 accounted 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.

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.

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.

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 (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary funds are custodial funds. Custodial funds are used to 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 and fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For proprietary funds, the statement of revenues, expenses, and changes 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, recovered purchased power, pension, and OPEB. 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. Recovered purchased power represents recovered costs of a regulated business-type activity applicable to a future period. These amounts have been recorded as deferred outflows of resources on both the government-wide statement of net position and the proprietary fund financial statements. Deferred outflows of resources related to pension and OPEB are reported on the government-wide and proprietary funds statement of net position and explained in Notes 15 and 16 to the basic financial statements.

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, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. 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 and OPEB are reported on the government-wide and proprietary funds statement of net position and explained in Notes 15 and 16 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2018, the City invested in mutual funds, negotiable certificates of deposit, federal agency securities, commercial paper, and STAR Ohio. Investments are reported at fair value. Fair value is based on quoted market price of current share price. 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. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board Statement No. 79, "Certain External Investment Pools and Pool Participants". The City measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV that approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million requiring the excess amount to be transacted the following business day(s) but only to the $100 million limit. All accounts of the participant will be combined for this purpose.

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 2018 was $684,551, which includes $598,075 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, 2018 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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."

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column on the government-wide statement of net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, 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. The net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient to pay those benefits. General obligation bonds, OWDA loans, and capital leases are recognized as liabilities on the governmental fund financial statements when due.

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, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 for debt retirement, for payroll stabilization, and to cover a gap between estimated resources and appropriations in the 2019 budget.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 governments, outside sources, and 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.

T. Pension/Other Postemployment Benefits (OPEB)

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 PRINCPLES AND RESTATEMENT OF NET POSITION

For 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 84, "Fiduciary Activities", Statement No. 85, "Omnibus 2017", Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period", and related guidance from GASB Implementation Guide No. 2017-3, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

For 2018, the City also implemented GASB Implementation Guide No. 2017-1. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported.

	Electric	Water	Sewer	Internal Service
Net Position (Deficit) at December 31, 2017	54,725,687	55,149,882	46,485,619	110,635
Net OPEB Liability	(1,857,210)	(1,238,140)	(1,238,140)	(88,439)
Deferred Outflows - Payment Subsequent to Measurement Date	28,789	19,193	19,193	1,371
Restated Net Position (Deficit) at December 31, 2017	$52,897,266	$53,930,935	$45,266,672	$23,567

	Governmental Activities	Business-Type Activities
Net Position December 31, 2017	$14,239,587	$156,363,811
Net OPEB Liability	(20,127,257)	(4,333,490)
Deferred Outflows - Payment Subsequent to Measurement Date	102,759	67,175
Internal Balances	7,836	(7,836)
Restated Net Position December 31, 2017	($5,777,075)	$152,089,660

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

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

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds. These fund reclassifications resulted in the restatement of beginning net position, in the amount of $265,846.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 89 establishes accounting requirements for interest costs incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - ACCOUNTABILITY

At December 31, 2018, the Wooster Green and the Aquatic Facility Capital Improvement capital projects funds had deficit fund balances, in the amount of $7,152 and $250,881, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

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

Change in Fund Balance

	General	Playground and Recreation
GAAP Basis	$519,735	$6,425
Increases (Decreases) Due To		
Revenue Accruals:		
Accrued 2017, Received in Cash 2018	958,326	39,520
Accrued 2018, Not Yet Received in Cash	(1,080,298)	(41,725)
Expenditure Accruals:		
Accrued 2017, Paid in Cash 2018	(1,357,658)	(188,542)
Accrued 2018, Not Yet Paid in Cash	1,377,182	86,600
Cash Adjustments:		
Unrecorded Activity 2017	(73,720)	22,845
Unrecorded Activity 2018	159,484	(22,651)
Prepaid Items	891	1,430
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses into Financial Statement Fund Types	(16,524)	0
Encumbrances Outstanding at Year End (Budget Basis)	(527,882)	(104,079)
Budget Basis	($40,464)	($200,177)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active deposits 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.

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);

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) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of a 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, $5,899,101 of the City's bank balance of $15,271,053 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured or by participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

Investments are reported at fair value or amortized cost. At December 31, 2018, the City had the following investments:

Measurement/Investment	Measurement Amount	Less Than Six Months	Six Months to One Year	One Year to Two Years	More Than Two Years
Fair Value - Level One Inputs					
Mutual Funds	$281,346	$281,346	$0	$0	$0

(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Measurement/Investment	Measurement Amount	Less Than Six Months	Six Months to One Year	One Year to Two Years	More Than Two Years
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	$6,018,040	$198,904	$1,473,616	$1,709,691	$2,635,829
Federal Farm Credit Bank Notes	1,144,734	0	0	0	1,144,734
Federal Home Loan Bank Notes	3,435,161	0	0	982,430	2,452,731
Federal Home Loan Mortgage Corporation Notes	18,764,595	298,587	2,054,422	9,094,129	7,317,457
Federal National Mortgage Association Notes	3,795,248	248,410	2,273,435	0	1,273,403
Total Fair Value - Level Two Inputs	33,157,778	745,901	5,801,473	11,786,250	14,824,154
Amortized Cost					
Commercial Paper	7,191,167	3,119,892	4,071,275	0	0
Net Value Per Share					
STAR Ohio	1,504,010	1,504,010	0	0	0
Total Investments	$42,134,301	$5,651,149	$9,872,748	$11,786,250	$14,824,154

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, 2018. The mutual funds are measured at fair value using quoted market prices (Level 1 inputs). The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

The negotiable certificates of deposit are generally covered by FDIC insurance. The mutual funds and federal agency securities carry a rating of Aaa by Moody's. The commercial paper carries a rating of P-1 by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service, commercial paper must be rated in the highest category at the time of purchase by two nationally recognized standard rating services, and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	$6,018,040	14.28%
Federal Farm Credit Bank	1,144,734	2.72
Federal Home Loan Bank	3,435,161	8.15
Federal Home Loan Mortgage Corporation	18,764,595	44.54
Federal National Mortgage Association	3,795,248	9.01
Commercial Paper	7,191,167	17.07

NOTE 7 - RECEIVABLES

Receivables at December 31, 2018, 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 $420,085, will not be received within one year. Special assessments receivable, in the amount of $119,922, will not be received within one year. At December 31, 2018, the amount of delinquent special assessments was $15,287.

NOTE 7 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	$80,571
DARE Grant	12,660
Charges for Services	50,272
Fines and Forfeitures	18,733
Local Government	291,877
Beer and Liquor Permits	2,088
Ohio Bureau of Workers' Compensation	14,988
Ohio Attorney General	371
Total General Fund	471,560
Playground and Recreation	
Homestead and Rollback	8,100
Ohio Bureau of Workers' Compensation	1,566
Total Playground and Recreation	9,666
Sewer and Water Capital Improvement	
Ohio Public Works Commission	11,293
Ohio Water Development Authority	811,832
Total Sewer and Water Capital Improvement	823,125
Total Major Funds	1,304,351
Nonmajor Funds	
Street Maintenance and Repair	
Gasoline Tax	305,859
Auto Registration	76,243
Motor Vehicle License Tax	22,945
Ohio Bureau of Workers' Compensation	110
Total Street Maintenance and Repair	405,157

(continued)

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
State Highway	
Gasoline Tax	$24,799
Auto Registration	6,182
Total State Highway	30,981
ODOT Transportation	
Ohio Department of Transportation	20,956
Ohio Bureau of Workers' Compensation	11
Total ODOT Transportation	20,967
Revolving Loan	
U.S. Department of Housing and Urban Development	489
Ohio Bureau of Workers' Compensation	26
Total Revolving Loan	515
Police Levy	
Ohio Bureau of Workers' Compensation	313
Fire Levy	
Ohio Bureau of Workers' Compensation	749
Law Enforcement Drug	
Fines and Forfeitures	491
Ohio Bureau of Workers' Compensation	5
Total Law Enforcement Drug	496
Indigent Drivers Alcohol	
Fines and Forfeitures	1,439
Enforcement and Education	
Fines and Forfeitures	109
Interlock and Alcohol Monitoring	
Fines and Forfeitures	1,352

(continued)

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Municipal Court Special Projects	
Charges for Services	$1,720
Fines and Forfeitures	9,242
Ohio Bureau of Workers' Compensation	13
Total Municipal Court Special Projects	10,975
Municipal Probation Services	
Charges for Services	3,513
Ohio Bureau of Workers' Compensation	14
Total Municipal Probation Services	3,527
Municipal Court Computerization	
Charges for Services	516
Aquatic Facility Capital Improvement	
Homestead and Rollback	12,143
Total Nonmajor Funds	489,239
Internal Service Fund	
Ohio Bureau of Workers' Compensation	114
Total Governmental Activities	$1,793,704
Business Type Activities	
Major Funds	
Electric	
Charges for Services	$277
Ohio Bureau of Workers' Compensation	2,304
Total Electric	2,581
Water	
Charges for Services	4,022
Ohio Bureau of Workers' Compensation	2,082
Total Water	6,104
Sewer	
Charges for Services	20,250
Ohio Bureau of Workers' Compensation	1,588
Total Sewer	21,838
Total Business Type Activities	$30,523

NOTE 8 - NOTES RECEIVABLE

Notes receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant and Home Investment Partnership Program. The notes have an annual interest rate of 2.15 to 4.75 percent and are to be repaid over periods ranging from three to twenty years. A summary of the changes in notes receivable during 2018 follows:

	Balance December 31, 2017	New Loans	Repayments	Balance December 31, 2018	Due Within One Year
Special Revenue Fund					
CDBG					
Revolving Loan Program	$577,789	$290,000	$236,108	$631,681	$212,296
Home Program	44,640	0	1,481	43,159	42,459
Total Notes Receivable	$622,429	$290,000	$237,589	$674,840	$254,755

NOTE 9 - MUNICIPAL INCOME TAXES

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

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

NOTE 10 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2018 represent the collection of 2017 taxes. Real property taxes received in 2018 were levied after October 1, 2017, on the assessed values as of January 1, 2017, 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.

NOTE 10 - PROPERTY TAXES (continued)

Public utility property tax revenues received in 2018 represent the collection of 2017 taxes. Public utility real and tangible personal property taxes received in 2018 became a lien on December 31, 2016, were levied after October 1, 2017, 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, 2018, and for which there was an enforceable legal claim. In the government funds, the portion of the receivable not levied to finance 2018 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, 2018, was $6.20 per $1,000 of assessed value. The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	$307,314,330
Commercial/Industrial	187,898,090
Public Utility Real	17,160
Public Utility Personal	3,492,200
Total	$498,721,780

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Governmental Activities:				
Nondepreciable Capital Assets				
Land	$4,422,948	$0	$0	$4,422,948
Construction in Progress	1,130,150	5,137,695	(1,419,647)	4,848,198
Total Nondepreciable Capital Assets	5,553,098	5,137,695	(1,419,647)	9,271,146
Depreciable Capital Assets				
Land Improvements	3,035,638	0	0	3,035,638
Buildings	23,679,401	116,591	0	23,795,992
Equipment	3,107,583	148,201	0	3,255,784
Vehicles	9,037,990	205,048	(73,625)	9,169,413
Streets	63,235,489	1,832,456	(983,770)	64,084,175
Total Depreciable Capital Assets	102,096,101	2,302,296	(1,057,395)	103,341,002
Less Accumulated Depreciation for				
Land Improvements	(1,678,171)	(107,056)	0	(1,785,227)
Buildings	(10,483,655)	(521,270)	0	(11,004,925)
Equipment	(2,613,352)	(172,503)	0	(2,785,855)
Vehicles	(7,369,149)	(489,354)	73,625	(7,784,878)
Streets	(41,269,090)	(1,940,347)	975,145	(42,234,292)
Total Accumulated Depreciation	(63,413,417)	(3,230,530)	1,048,770	(65,595,177)
Total Depreciable Capital Assets, Net	38,682,684	(928,234)	(8,625)	37,745,825
Governmental Activities Capital Assets, Net	$44,235,782	$4,209,461	($1,428,272)	$47,016,971

Governmental funds accepted contributions of capital assets from other governments and private donors with a fair value of $2,600,426 and $78,809, respectively.

NOTE 11 - CAPITAL ASSETS (continued)

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	$5,189,033	$501,256	$0	$5,690,289
Construction in Progress	9,039,011	10,368,246	(7,746,286)	11,660,971
Total Nondepreciable Capital Assets	14,228,044	10,869,502	(7,746,286)	17,351,260
Depreciable Capital Assets				
Buildings	91,708,538	6,422,857	0	98,131,395
Equipment	2,964,304	24,272	0	2,988,576
Vehicles	6,690,763	471,659	(225,774)	6,936,648
Electric, Water, Sewer, and Storm Sewer Lines	108,746,374	2,176,849	0	110,923,223
Total Depreciable Capital Assets	210,109,979	9,095,637	(225,774)	218,979,842
Less Accumulated Depreciation for				
Buildings	(41,923,019)	(1,741,381)	0	(43,664,400)
Equipment	(2,604,242)	(122,008)	0	(2,726,250)
Vehicles	(5,492,533)	(428,017)	225,774	(5,694,776)
Electric, Water, Sewer, and Storm Sewer Lines	(55,586,471)	(2,276,001)	0	(57,862,472)
Total Accumulated Depreciation	(105,606,265)	(4,567,407)	225,774	(109,947,898)
Total Depreciable Capital Assets, Net	104,503,714	4,528,230	0	109,031,944
Business-Type Activities Capital Assets, Net	$118,731,758	$15,397,732	($7,746,286)	$126,383,204

The Water and Sewer enterprise funds accepted contributions of capital assets from governmental activities with a fair value of $2,581,158 and $6,943,125, respectively.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property-Police	$144,415
Security of Persons and Property-Fire	168,955
Public Health	7,243
Leisure Time Activities	395,902
Community Environment	18,733
Basic Utility Services	28,176
Transportation	2,188,038
General Government-Court	105,363
General Government-Other	173,705
Total Depreciation Expense - Governmental Activities	$3,230,530

NOTE 12 - INTERFUND BALANCES

Interfund balances at December 31, 2018, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Electric	$177,883
Due to Other Governmental Funds from:	
Other Governmental	$275,000
Due to Electric Fund from:	
Water	$2,873
Sewer	16,184
Total Electric Fund	$19,057
Due to Water Fund from:	
General	$9,730
Playground and Recreation	608
Other Governmental	3,936
Electric	1,336
Sewer	9,448
Total Water Fund	$25,058
Due to Sewer Fund from :	
Electric	$79
Water	51
Total Sewer Fund	130
Due to Internal Service Fund from:	
Sewer and Water Capital Improvement	$3,769
Other Governmental	69
Water	206
Sewer	686
Total Internal Service Fund	$4,730

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 $250,000 in other governmental funds, are expected to be received within one year.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, 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	$500,000,000
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.

NOTE 13 - RISK MANAGEMENT (continued)

For 2018, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan. To maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

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

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2018:

Vendor	Contract Amount	Amount Paid as of 12/31/18	Outstanding Balance
Aclara Power-Line Systems, Inc.	$114,957	$30,182	$84,775
Andritz Separation, Inc.	68,000	64,485	3,515
EMH&T, Inc.	117,800	115,788	2,012
Geddis Paving & Excavating, Inc.	865,000	793,752	71,248
Helms & Sons Excavating	465,325	462,595	2,730
Inland Water Pollution Control, Inc.	197,312	0	197,312
Kirk Brothers Company, Inc.	555,000	529,733	25,267
Perram Electric, Inc.	175,000	156,055	18,945
Peterson Construction Co.	7,335,970	5,867,581	1,468,389
Poggemeyer Design Group, Inc.	633,240	571,157	62,083
Reiss Engineering, Inc.	279,200	174,550	104,650
Schorr Architects, Inc.	317,500	82,803	234,697
Speer Bros, Inc.	1,854,863	1,660,812	194,051
Whiteford Kenworth	135,788	86,191	49,597

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS (continued)

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2019 are as follows:

General Fund	$527,882
Playground and Recreation	104,079
Sewer and Water Capital Improvement	1,750,668
Other Governmental Funds	508,356

NOTE 15 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent a liability to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represents the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates 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 and OPEB.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

GASB Statements No. 68 and No. 75 assume 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 pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the pension amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

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 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 combination cost-sharing multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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 and combined plans 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 Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C 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 and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula:	**Traditional Plan Formula:**	**Traditional Plan 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	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	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
Combined Plan Formula:	**Combined Plan Formula:**	**Combined Plan Formula:**
1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	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 and Service Requirements:**	**Age and Service Requirements:**
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	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**
Traditional Plan Formula:	**Traditional Plan Formula:**	**Traditional Plan 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	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	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.

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

When a traditional plan 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. Members retiring under the combined plan receive a cost of living adjustment on the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed plan participants must have attained the age of fifty-five, have money on deposit in the defined contribution plan, and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the member's contributions, vested employer contributions, and investment gains or losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five year period at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS account. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of the entire account balance net of taxes withheld, or a combination of these options.

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

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0 %	**	***

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0 %	**	***
2018 Actual Contribution Rates			
Employer			
Pension ****	14.0 %	18.1 %	18.1 %
Postemployment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Total Employee	10.0 %	12.0 %	13.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** 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.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contribution rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2018, the City's contractually required contribution was $1,625,591 for the traditional plan, $114,868 for the combined plan, and $23,358 for the member-directed plan. Of these amounts, $206,418 is reported as an intergovernmental payable for the traditional plan, $14,589 for the combined plan, and $2,959 for the member-directed plan.

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first twenty years of service credit, 2 percent for each of the next five years of service credit, and 1.5 percent for each year of service credit in excess of twenty-five years. The maximum pension of 72 percent of the allowable average annual salary is paid after thirty-three years of service credit. (See the OPF CAFR referenced above for additional information including requirements for deferred retirement option plan provisions and reduced and unreduced benefits.)

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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than fifteen years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3 percent or the percentage increase in the Consumer Price Index, if any, over the twelve month period ending on September 30 of the immediately preceding year rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2018 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 %

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was $1,567,203 for 2018. Of this amount, $201,966 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability (asset) 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 Traditional Plan	OPERS Combined Plan	OPF	Total
Proportion of the Net Pension Liability/(Asset)				
Current Measurement Date	0.08982300%	0.22387400%	0.34593100%	
Prior Measurement Date	0.08548100%	0.22506900%	0.32490000%	
Change in Proportionate Share	0.00434200%	0.00119500%	0.02103100%	
Proportionate Share				
Net Pension Liability	$14,091,487	$0	$21,231,346	$35,322,833
Net Pension Asset	$0	($304,765)	$0	($304,765)
Pension Expense	$3,347,279	($193,101)	$2,518,273	$5,672,451

Pension expense for the member-directed defined contribution plan was $23,358 for 2018.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Difference Between Expected and Actual Experience	$14,391	$0	$322,200	$336,591
Changes of Assumptions	1,684,027	26,633	925,162	2,635,822
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	474,260	579	1,055,227	1,530,066
City Contributions Subsequent to the Measurement Date	1,625,591	114,868	1,567,203	3,307,662
Total Deferred Outflows of Resources	$3,798,269	$142,080	$3,869,792	$7,810,141
Deferred Inflows of Resources				
Difference Between Expected and Actual Experience	$277,698	$90,792	$38,408	$406,898
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,025,257	48,084	734,442	3,807,783
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	0	0	128,543	128,543
Total Deferred Inflows of Resources	$3,302,955	$138,876	$901,393	$4,343,224

$3,307,662 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 or increase in the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Year Ending December 31,				
2019	$1,514,040	($15,216)	$709,552	$2,208,376
2020	(69,034)	(16,531)	516,461	430,896
2021	(1,332,164)	(27,305)	(244,244)	(1,603,713)
2022	(1,243,119)	(26,167)	(111,057)	(1,380,343)
2023	0	(9,285)	427,229	417,944
Thereafter	0	(17,160)	103,255	86,095
Total	($1,130,277)	($111,664)	$1,401,196	$159,255

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, 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, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	individual entry age	individual entry age

Preretirement mortality rates were based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

During 2017, OPERS managed investments in three investment portfolios; the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the traditional plan, the defined benefit component of the combined plan, and the annuitized accounts of the member-directed plan. Within the Defined Benefit 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit 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 plans. The table below displays the board approved asset allocation policy for 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 contractually required rates as actuarially determined. 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.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability (Asset)			
OPERS Traditional Plan	$25,022,891	$14,091,487	$4,977,991
OPERS Combined Plan	($165,667)	($304,765)	($400,734)

Changes between the Measurement Date and the Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions - OPF

OPF's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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. Assumptions considered were withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI based COLA, investment returns, salary increases, and payroll growth.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	entry age normal	entry age normal
Investment Rate of Return	8 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent	Inflation rate of 3.25 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent	3 percent simple; 2.6 percent simple for increases based on lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries were adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

For the January 1, 2016, valuation, rates of death were 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.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building block approach and assumes a time horizon as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equities	16.00	5.21
Non-U.S. Equities	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: assumptions are geometric
* levered 2x

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

Discount Rate - For 2017, the total pension liability was calculated using the discount rate of 8 percent. The discount rate used for 2016 was 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 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.

NOTE 15 - 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 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 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	$29,432,215	$21,231,346	$14,542,790

NOTE 16 - POSTEMPLOYMENT BENEFITS

See Note 15 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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 a cost-sharing multiple-employer defined benefit postemployment health care trust which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a health reimbursement arrangement to qualifying benefit recipients of both the traditional and combined pension plans. This trust is also used to fund health care for member-directed plan participants in the form of a retiree medical account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined pension 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 Governmental Accounting Standards Board (GASB) Statement No. 75. 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.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, 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.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. The portion of the employer contribution allocated to health care for members of both the traditional and combined plans was 1 percent for calendar year 2017. As recommended by OPERS' actuary, the portion of the employer contribution allocated to health care beginning January 1, 2018, decreased to 0 percent for both plans.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants of the member-directed plan was 4 percent for 2018.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $9,343 for 2018. Of this amount, $1,184 is reported as an intergovernmental payable.

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

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 a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium reimbursement to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 75.

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.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

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. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B premium reimbursements. A separate health care trust accrual account is maintained for health care benefits under an IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, the portion of the employer contribution allocated to health care was .5 percent of covered payroll. The amount of the employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OPF was $36,595 for 2018. Of this amount, $4,716 is reported as an intergovernmental payable.

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

The net OPEB liability and the total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OPF's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Following is information related to the proportionate share.

	OPERS	OPF	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.09189000%	0.34593100%	
Prior Measurement Date	0.08756000%	0.32900000%	
Change in Proportionate Share	0.00433000%	0.01693100%	
Proportionate Share of the Net OPEB Liability	$9,978,577	$19,599,966	$29,578,543
OPEB Expense	$984,943	$1,654,615	$2,639,558

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	OPERS	OPF	Total
Deferred Outflows of Resources			
Difference Between Expected and Actual Experience	$7,773	$0	$7,773
Changes of Assumptions	726,546	1,912,540	2,639,086
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	295,883	676,637	972,520
City Contributions Subsequent to the Measurement Date	9,343	36,595	45,938
Total Deferred Outflows of Resources	$1,039,545	$2,625,772	$3,665,317
Deferred Inflows of Resources			
Difference Between Expected and Actual Experience	$0	$98,854	$98,854
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	743,337	129,016	872,353
Total Deferred Inflows of Resources	$743,337	$227,870	$971,207

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

$45,938 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	OPERS	OPF	Total
Year Ending December 31,			
2019	$306,708	$331,828	$638,536
2020	306,708	331,828	638,536
2021	(140,715)	331,828	191,113
2022	(185,836)	331,828	145,992
2023	0	364,082	364,082
Thereafter	0	669,913	669,913
Total	$286,865	$2,361,307	$2,648,172

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74.

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current Measurement Date	3.85 percent
Prior Measurement Date	4.23 percent
Investment Rate of Return	6.5 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent initial 3.25 percent ultimate in 2028
Actuarial Cost Method	individual entry age

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Preretirement mortality rates were based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes assets for health care expenses for the traditional plan, the combined plan, and the member-directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.2 percent for 2017.

The allocation of investment assets with the Health Care 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 continuing to offer a sustainable health care program for current and future retirees. OPERS primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the board approved asset allocation policy for 2017 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	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Discount Rate - A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of twenty year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the expected rate of return on the health care investment portfolio of 6.5 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through 2034 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate.

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's Proportionate Share of the Net OPEB Liability	$13,256,970	$9,978,577	$7,326,390

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1 percent lower or 1 percent higher than the current rate.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Retiree health care valuations use a health care cost trend assumption that changes over several years built into the assumption. The near term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.5 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not too distant future, the health plan cost trend will decrease to a level at or near wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's Proportionate Share of the Net OPEB Liability	$9,547,371	$9,978,577	$10,424,002

Changes between the Measurement Date and the Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions - OPF

OPF's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OPF's actuaries in accordance with GASB Statement No. 74 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effect of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	entry age normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent
Single Discount Rate:	
Current Measurement Date	3.24 percent
Prior Measurement Date	3.79 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries were adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

Mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The OPF health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 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 percent. Based on those assumptions, the plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017, and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond Twenty Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to all projected costs through 2025 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent) or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net Pension Liability	$24,500,194	$19,599,966	$15,829,421

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per capita costs are assumed to change by the following percentages each year.

Year	Non-Medicare	Non-AARP	AARP	RX Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current health care cost trend rates as outlined in the table above, a one percent decrease in the trend rates, and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's Proportionate Share of the Net OPEB Liability	$15,225,606	$19,599,966	$25,495,123

Changes between the Measurement Date and the Report Date

In March 2018, the OPF Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend based health care model. A stipend funded by OPF will be placed in individual health reimbursement accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

NOTE 17 - COMPENSATED ABSENCES

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

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2018, was as follows:

	Interest Rate	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Governmental Activities						
General Obligation Bonds						
2004 Various Purpose Improvement						
(Original Issue - $11,745,000)	3 - 5%	$475,000	$0	$315,000	$160,000	$0
2012 Refunding Various Purpose Improvement						
(Original Issue - $3,850,000)	.75 - 3	3,675,000	0	405,000	3,270,000	410,000
2013 Refunding Various Purpose Improvement						
(Original Issue - $7,095,000)	1.5 - 4	3,810,000	0	360,000	3,450,000	370,000
2018 Various Purpose Improvement						
(Original Issue - $9,815,000)	3 - 4	0	9,815,000	345,000	9,470,000	270,000
Total General Obligation Bonds		7,960,000	9,815,000	1,425,000	16,350,000	1,050,000
Ohio Water Development Authority Loans						
1994 Second Water Transmission Main						
(Original Issue - $3,644,348)	5.77	599,002	0	291,139	307,863	307,863
2002 Clearwell and High Service Pump						
(Original Issue - $3,217,619)	3.95	172,024	0	172,024	0	0
2004 Wastewater Treatment Plant and Solids Handling Improvements						
(Original Issue - $5,921,827)	1.76	1,098,129	0	433,487	664,642	441,150
2008 Intake and Pump Station						
(Original Issue - $4,107,626)	3.52	2,797,367	0	191,018	2,606,349	197,801
2009 WWTP Tertiary Filtration						
(Original Issue - $2,541,205)	4.14	1,707,127	0	118,620	1,588,507	123,582
2009 Microfiltration/Low Pressure Reverse Osmosis						
(Original Issue - $4,319,545)	0.00	2,807,705	0	215,977	2,591,728	215,977
2010 WWTP Ultraviolet Disinfection Project	3.70					
(Original Issue - $961,095)		661,029	0	44,668	616,361	46,336
2012 Poe and Mercer Roads Pump Station Upgrades	3.08					
(Original Issue - $1,228,015)		961,288	0	53,500	907,788	55,160

(continued)

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Governmental Activities (continued)						
Ohio Water Development Authority Loans (continued)						
2013 Manville Tower Replacement	2.59%	$2,873,091	$0	$148,267	$2,724,824	$0
2015 Water Treatment Reservoir Pump Station	0.00	3,249,671	0	166,650	3,083,021	0
2017 Grit Removal System Improvements	0.00	205,871	4,388,620	0	4,594,491	0
2018 Conneaut Avenue Pump Station & Force Main	0.00	0	1,895,014	44,293	1,850,721	0
2018 WTP Rapid Sand Filter	0.00	0	1,637,008	0	1,637,008	0
Total Ohio Water Development Authority Loans		17,132,304	7,920,642	1,879,643	23,173,303	1,387,869
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees Retirement System		9,899,755	0	2,713,095	7,186,660	0
Ohio Police and Fire Pension		20,578,841	652,505	0	21,231,346	0
Total Net Pension Liability		30,478,596	652,505	2,713,095	28,418,006	0
Net OPEB Liability						
Ohio Public Employees Retirement System		4,510,367	578,710	0	5,089,077	0
Ohio Police and Fire Pension		15,616,890	3,983,076	0	19,599,966	0
Total Net OPEB Liability		20,127,257	4,561,786	0	24,689,043	0
Compensated Absences Payable		1,862,524	562,815	180,851	2,244,488	1,066,640
Capital Leases Payable		80,959	0	39,878	41,081	41,081
Total Other Long-Term Obligations		52,549,336	5,777,106	2,933,824	55,392,618	1,107,721
Total Governmental Activities		$77,641,640	$23,512,748	$6,238,467	$94,915,921	$3,545,590

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Business-Type Activities						
General Obligation Bonds						
2012 Refunding Various Purpose Improvement						
(Original Issue - $2,195,000)	.75 - 3%	$2,085,000	$0	$330,000	$1,755,000	$340,000
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees Retirement System		9,511,526	0	2,606,699	6,904,827	0
Net OPEB Liability						
Ohio Public Employees Retirement System		4,333,490	556,010	0	4,889,500	0
Compensated Absences Payable		1,270,315	112,171	72,780	1,309,706	440,963
AMP Ohio Payable - JV 2		34,456	0	34,456	0	0
AMP Ohio Payable		763,552	20,575	72,000	712,127	72,000
Total Other Long-Term Obligations		15,913,339	688,756	2,785,935	13,816,160	512,963
Total Business-Type Activities		$17,998,339	$688,756	$3,115,935	$15,571,160	$852,963

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.

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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:

Year	Amount
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:

Year	Amount
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, 2018, none of the refunded debt was still outstanding.

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

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

Year	Amount
2027	$180,000
2028	$190,000

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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:

Year	Amount
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:

Year	Amount
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.

2018 Various Purpose Improvement General Obligation Bonds - On March 7, 2018, the City issued $9,815,000 in unvoted general obligation bonds for the construction of a new park building ($3,705,000) and for street and utility improvements ($6,110,000). The bonds were issued for a twenty-nine year period with maturity beginning December 1, 2018. The interest rate of the bonds ranges from 3 to 4 percent over the remaining life of the bonds. The bonds will be paid from the Debt Service Fund and Sewer and Water Capital Improvement capital projects fund.

The bonds maturing on December 1, 2036, 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:

Year	Amount
2035	$395,000
2036	$410,000

The bonds maturing on December 1, 2038, 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:

Year	Amount
2037	$420,000
2038	$430,000

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing and on December 1, 2040, 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:

Year	Amount
2039	$445,000
2040	$465,000

The bonds maturing and on December 1, 2042, 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:

Year	Amount
2041	$480,000
2042	$495,000

The bonds maturing and on December 1, 2047, 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:

Year	Amount
2043	$165,000
2044	$170,000
2045	$175,000
2046	$180,000
2047	$185,000

The bonds are subject to prior redemption on or after December 1, 2024, 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 12/31/18, $3,386,910 of the bond proceeds have not been spent and $4,646,991 have not been capitalized.

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 $9,283,238 and $1,097,404, respectively. Principal and interest paid in the Sewer and Water Capital Improvement capital projects fund for the current year were $1,879,643 and $327,183, respectively. Total revenue for the Sewer and Water Capital Improvement capital projects fund was $5,329,852.

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB 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 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. This loan was fully retired in 2018.

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.

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 $106,981 (in total) for interest and legal fees and has made payments of $391,464 (in total), resulting in a net impaired cost estimate at December 31, 2018, of $712,127. The City is reporting a payable to AMP in its business-type activity 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 2028.

The City's legal debt margin was $36,079,622 at December 31, 2018.

The Manville Tower Replacement, the Water Treatment Reservoir Pump Station, the Grit Removal System Improvements, the Conneaut Avenue Pump Station & Force Main, and the Water Treatment Plant Rapid Sand Filter 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, 2018, were as follows:

	General Obligation Bonds		OWDA Loans	
Year	Principal	Interest	Principal	Interest
2019	$1,050,000	$481,563	$1,387,869	$190,581
2020	1,170,000	457,013	877,983	157,590
2021	1,145,000	427,438	670,710	142,349
2022	1,110,000	397,563	687,535	128,582
2023	930,000	368,663	704,985	114,306
2024 to 2028	3,585,000	1,527,307	3,810,411	338,184
2029 to 2033	2,565,000	1,063,769	1,143,745	25,812
2034 to 2038	2,035,000	700,357	0	0
2039 to 2043	2,050,000	324,698	0	0
2044 to 2047	710,000	65,249	0	0
Total	$16,350,000	$5,813,620	$9,283,238	$1,097,404

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018, from the enterprise funds were as follows:

	General Obligation Bonds		AMP Ohio Payable
Year	Principal	Interest	Principal
2019	$340,000	$36,912	$72,000
2020	350,000	30,113	72,000
2021	340,000	23,112	72,000
2022	355,000	16,313	72,000
2023	370,000	8,324	72,000
2024-2028	0	0	352,127
Total	$1,755,000	$114,774	$712,127

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into a capitalized lease for vehicles. Principal payments in 2018 were $39,878 for governmental activities.

	Governmental Activities
Vehicles	$199,565
Less Accumulated Depreciation	(74,837)
Carrying Value, December 31, 2018	$124,728

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, 2018.

	Governmental Activities	
Year	Principal	Interest
2019	$41,081	$1,242

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	$208,613	$15,427	$1,383,699	$3,325,321
Unclaimed Monies	56,072	0	0	0
Total Nonspendable	264,685	15,427	1,383,699	3,325,321
Restricted for:				
Capital Improvements	0	0	6,106,392	3,945,997
Cemetery Operations and Maintenance	0	0	0	28,465
Community Development	0	0	0	865,736
Court Operations	0	0	0	168,034
Debt Retirement	0	0	0	43,863
Playground and Recreation	0	514,213	0	0
Police and Fire Operations	0	0	0	1,988,248
Public Transit	0	0	0	57,967
Street Construction and Maintenance	0	0	0	1,667,870
Total Restricted	0	514,213	6,106,392	8,766,180
Committed to:				
Equipment Replacement	0	0	0	332,679
Facility Replacement	0	0	0	300,000
Greenspace Enhancements	108,248	0	0	0
Parking Enforcement and Maintenance	64,194	0	0	0
Roadway Replacement	0	0	0	18,945
Total Committed	172,442	0	0	651,624
Assigned for:				
Debt Retirement	0	0	0	19,972
Payroll Stabilization	220,000	0	0	0
Projected Budget Shortage	165,627	0	0	0
Unpaid Obligations	525,254	0	0	0
Total Assigned	910,881	0	0	19,972
Unassigned (Deficit)	3,539,875	0	0	(258,033)
Total Fund Balance	$4,887,883	$529,640	$7,490,091	$12,505,064

NOTE 21 – INTERNAL BALANCES AND TRANSFERS

During 2018, the General Fund made transfers, in the amount of $67,009, to other governmental funds for transit operations. The Playground and Recreation special revenue fund made transfers, in the amount of $204,076, to other governmental funds as debt payments came due. Other governmental funds made transfers to other governmental funds, in the amount of $1,573,278; $1,307,468 as debt payments came due, $35,810 for transit operations, and $230,000 to fund equipment capital maintenance.

Eliminations made in the business-type activities column include a deferred outflow of resources - pension for the Electric, Water, and Sewer enterprise funds, in the amount of $112,217, $74,811, and $37,071, respectively, and a deferred inflow of resources - pension for the Electric, Water, and Sewer enterprise funds, in the amount of $112,217, $74,811, and $37,071, respectively

Eliminations made in the business-type activities column related to pension include deferred outflows of resources and deferred inflows of resources, in the amount of $224,099.

Balances related to the internal proportionate share for pension at December 31, 2018, were as follows.

	Deferred Outflows	Deferred Inflows
Governmental Activities		
Governmental Activities	$3,677	$3,677
Business-Type Activities		
Electric Fund	112,217	112,217
Water Fund	74,811	74,811
Sewer Fund	37,071	37,071
Total Business-Type Activities	224,099	224,099
Total	$227,776	$227,776

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, 2018. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., 1111 Superior Avenue, Suite 1601, Cleveland, Ohio 44114.

NOTE 22 - INSURANCE POOLS (continued)

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, 2018, the City had met its debt coverage obligation.

NOTE 23 - JOINT VENTURES (continued)

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 bonds were fully retired in 2018.

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 $950,143 at December 31, 2018. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

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

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

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

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, 2018, the City had met its debt coverage obligation.

NOTE 23 - JOINT VENTURES (continued)

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

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

JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001, AMP-Ohio issued $153,415,000 and $13,899,981, respectively, of thirty year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the financing participants of JV5. The 2001 Certificates accrete to a value of $56,125,000 on February 15, 2030. The net proceeds were used to construct the JV5 project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates, in the amount of $116,910,000, which resulted in a savings to the membership of $34,951,833 from 2005 through 2024. On February 15, 2014, all of the 2004 Certificates were redeemed from funds held under the trust agreement securing the 2004 Certificates and the proceeds of a promissory note issued to AMP-Ohio by JV5. This was accomplished with a draw on AMP-Ohio's revolving credit facility. The resulting balance was $65,891,509 at February 28, 2014. 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, 2018. 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.

NOTE 23 - JOINT VENTURES (continued)

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, 2018, the City had met its debt coverage obligation.

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

JV6 was created to provide for low-polluting capacity electricity through wind energy. The project consists of four wind turbines with a nominal capacity of 1.8 MW and related facilities. Upon dissolution of JV6, the net position will be shared by the participants on a percentage of ownership basis. JV6 is managed by AMP-Ohio, which acts as the joint venture's agent.

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 $2,766,501 at December 31, 2018. 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

The City is party to legal proceedings seeking damages or injunctive relief generally incidental to operations. The ultimate disposition of such proceedings is not presently determinable but will not, in the opinion of the City officials, have a material adverse effect on the financial statements.

For the period January 1, 2018, to December 31, 2018, the City received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 26 - SUBSEQUENT EVENT

On May 29, 2019, the City issued bond anticipation notes, in the amount of $1,900,000, for the construction of a new park building. The notes have an interest rate of 2.5 percent and mature on May 29, 2020.

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 Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.08982300%	0.08548100%	0.08537300%	0.08296200%	0.08296200%
City's Proportionate Share of the Net Pension Liability	$14,091,487	$19,411,281	$14,787,680	$10,006,145	$9,780,139
City's Covered Payroll	$11,875,777	$11,044,408	$10,625,493	$10,171,425	$9,551,205
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	118.66%	175.76%	139.17%	98.38%	102.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

See Accompanying Notes to the Required Supplementary Information

City of Bowling Green
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System - Combined
2018 (1)

	2018
City's Proportion of the Net Pension Asset	0.22387400%
City's Proportionate Share of the Net Pension Asset	$304,765
City's Covered Payroll	$916,869
City's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See Accompanying Notes to the Required Supplementary Information

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 Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.34593100%	0.32490000%	0.32843900%	0.32675040%	0.32675040%
City's Proportionate Share of the Net Pension Liability	$21,231,346	$20,578,841	$21,128,711	$16,927,033	$15,913,770
City's Covered Payroll	$6,569,201	$6,885,486	$7,119,120	$6,391,680	$7,493,314
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	323.20%	298.87%	296.79%	264.83%	212.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

See Accompanying Notes to the Required Supplementary Information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.09189000%	0.08756000%
City's Proportionate Share of the Net OPEB Liability	$9,978,577	$8,843,857
City's Covered Payroll	$13,021,671	$12,094,350
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	76.63%	73.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See Accompanying Notes to the Required Supplementary Information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.34593100%	0.32900000%
City's Proportionate Share of the Net OPEB Liability	$19,599,966	$15,616,890
City's Covered Payroll	$6,569,201	$6,885,486
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	298.36%	226.81%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See Accompanying Notes to the Required Supplementary Information

City of Bowling Green
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Six Years (1) (2)

	2018	2017	2016	2015
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	$1,625,591	$1,543,851	$1,325,329	$1,275,059
Contributions in Relation to the Contractually Required Contribution	(1,625,591)	(1,543,851)	(1,325,329)	(1,275,059)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$11,611,364	$11,875,777	$11,044,408	$10,625,493
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
Net Pension Asset - Combined Plan				
Contractually Required Contribution	$114,868	$119,193	$105,131	$105,612
Contributions in Relation to the Contractually Required Contribution	(114,868)	(119,193)	(105,131)	(105,612)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$820,486	$916,869	$876,092	$880,100
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	$9,343	$137,088	$245,364	
Contributions in Relation to the Contractually Required Contribution	(9,343)	(137,088)	(245,364)	
Contribution Deficiency (Excess)	$0	$0	$0	
City Covered Payroll (3)	$12,665,425	$13,021,671	$12,094,350	
OPEB Contributions as a Percentage of Covered Payroll	0.04%	1.02%	2.04%	

(1) Information prior to 2013 is not available.
(2) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(3) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See Accompanying Notes to the Required Supplementary Information

2014	2013
$1,220,571	$1,241,657
(1,220,571)	(1,241,657)
$0	$0
$10,171,425	$9,551,205
12.00%	13.00%
$104,151	$110,921
(104,151)	(110,921)
$0	$0
$867,925	$853,238
12.00%	13.00%

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

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$1,567,203	$1,410,554	$1,479,130	$1,528,568
Contributions in Relation to the Contractually Required Contribution	(1,567,203)	(1,410,554)	(1,479,130)	(1,528,568)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$7,318,902	$6,569,201	$6,885,486	$7,119,120
Contributions as a Percentage of Covered Payroll	21.41%	21.47%	21.48%	21.47%
Net OPEB Liability				
Contractually Required Contribution	$36,595	$32,846	$34,428	$35,595
Contributions in Relation to the Contractually Required Contribution	(36,595)	(32,846)	(34,428)	(35,595)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$7,318,902	$6,569,201	$6,885,486	$7,119,119
Contributions as a Percentage of Covered Payroll Covered Payroll	0.50%	0.50%	0.50%	0.50%

(1) The City's Covered payroll is the same for pension and OPEB.

See Accompanying Notes to the Required Supplementary Information

2014	2013	2012	2011	2010	2009
$1,367,429	$1,358,420	$959,823	$994,151	$982,342	$1,020,042
(1,367,429)	(1,358,420)	(959,823)	(994,151)	(982,342)	(1,020,042)
$0	$0	$0	$0	$0	$0
$6,391,680	$7,493,314	$6,317,014	$6,541,801	$6,479,219	$6,729,954
21.39%	18.13%	15.19%	15.20%	15.16%	15.16%
$31,958	$271,009	$426,399	$441,571	$437,347	$454,272
(31,958)	(271,009)	(426,399)	(441,571)	(437,347)	(454,272)
$0	$0	$0	$0	$0	$0
$6,391,680	$7,493,314	$6,317,014	$6,541,801	$6,479,219	$6,729,954
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%

Changes in Assumptions - OPERS Pension

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below.

	2017	2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, Healthy Annuitant Mortality Tables were used adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality Tables were used adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

Changes in Assumptions - OPF Pension

Amounts reported for 2018 incorporate changes in assumptions used by OPF in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below.

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	entry age normal	entry age normal
Investment Rate of Return	8 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent	Inflation rate of 3.25 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent	3 percent simple; 2.6 percent simple for increases based on lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for nondisabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 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.

Changes in Assumptions - OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions - OPF OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

CITY OF BOWLING GREEN
WOOD COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/ *Pass-Through Grantor/* Program Title	**Federal CFDA Number**	**Pass-Through Entity Number**	**Pass-Through to Subrecipient**	**Total Federal Expenditures**
U.S. Department of Housing and Urban Development				
Direct Awards				
CDBG-Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	$ 6,000	$ 279,622
Total CDBG-Entitlement Grants Cluster			6,000	279,622
Total Direct Programs			6,000	279,622
Passed through Ohio Development Services Agency				
Home Investment Partnerships Program	14.239	N/A	0	1,708
Total U.S. Department of Housing and Urban Development			6,000	281,330
U.S. Department of Transportation				
Passed through Ohio Department of Transportation				
Formula Grants for Rural Areas	20.509	093-RPTF-18-0100	0	271,229
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	PID 98998	0	230,998
Total Highway Planning and Construction Cluster			0	230,998
Total U.S. Department of Transportation			0	502,227
U.S. Department of Justice				
Passed Through Ohio Department of Public Saftey				
Edward Byrne Memorial Justice Assistance Program	16.738	2013-JG-A02-6336A	0	7,191
Total U.S. Department of Justice			0	7,191
TOTAL EXPENDTURES OF FEDERAL AWARDS			$ 6,000	$ 790,748

See accompanying notes to the Schedule of Expenditures of Federal Awards

CITY OF BOWLING GREEN
WOOD COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Bowling Green, Ohio, under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented 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 of Bowling Green, Ohio, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Bowling Green, Ohio.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: **INDIRECT COST RATE**

The City of Bowling Green, Ohio, has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: **SUBRECIPIENTS**

The City passes through certain federal assistance received from the U.S. Department of Housing and Urban Development (HUD) to other governments or not-for-profit agencies (subrecipients). As described above in Note 2, the City records expenditures of federal monies to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under the Uniform Guidance, the City is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE 5: **MATCHING REQUIREMENTS**

Certain federal programs require that the City contribute non-federal funds (matching funds) to support federally funded programs. The City has complied with the matching requirements. The expenditures of non-federal matching funds are not included on the Schedule.

NOTE 6: COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans, but are not included as expenditures on the Schedule.

These loans are collateralized by mortgages on the property.

Activity in the CDBG and HOME Revolving Loan Fund during 2017 is as follows:

	CDBG	HOME
Beginning loans receivable balance as of January 1, 2018	$ 577,789	$ 44,640
Loans made	290,000	0
Loan principal repaid	(236,109)	(1,564)
Ending loans receivable balance as of December 31, 2018	$ 631,680	$ 43,076
Cash balances on hand in the revolving loan fund as of December 31, 2018	$ 104,082	$ 92,209

NOTE 7: DOWNPAYMENT ASSISTANCE AND/OR OWNER OCCUPIED REHABILITATION

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

The City's total program costs (reflective of soft costs incurred to release mortgage liens on various properties) totaling $128 and administrative costs totaling $1,580 during CY 2018.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of City Council
City of Bowling Green
Bowling Green, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2019, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 18, 2019

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of City Council
City of Bowling Green
Bowling Green, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the City of Bowling Green, Wood County, Ohio's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance 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 express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Bowling Green complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 18, 2019

1. **SUMMARY OF AUDITOR'S RESULTS**

2018(i)	Type of Financial Statement Opinion	Unmodified
2018(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2018(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2018(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2018(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2018(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2018(v)	Type of Major Programs' Compliance Opinions	Unmodified
2018(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2018(vii)	Major Programs (list):	
	Community Development Block Grants/Entitlements Grants - CFDA #14.218	
2018(viii)	Dollar Threshold: A/B Program	Type A: $750,000 Type B: All Others
2018(ix)	Low Risk Auditee?	Yes

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, OHIO
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

The prior audit report, as of December 31, 2017, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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OHIO AUDITOR OF STATE
KEITH FABER

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
AUGUST 8, 2019

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