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Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

City of Bowling Green  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

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

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

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

**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

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

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

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

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

**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

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

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

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

**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

**Actuarial Assumptions - OPERS**

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

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

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

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

**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

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

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

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

**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

**Actuarial Assumptions - OPF**

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

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

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

City of Bowling Green  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

\* levered 2x

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

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

**NOTE 15 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

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

City of Bowling Green  
Notes to the Basic Financial Statements  
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**NOTE 16 - POSTEMPLOYMENT BENEFITS** (continued)

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

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

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

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

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

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

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

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

**NOTE 16 - POSTEMPLOYMENT BENEFITS** (continued)

**B. Police and Fire Pension Fund**

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

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

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

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

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

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

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

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

City of Bowling Green  
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**NOTE 16 - POSTEMPLOYMENT BENEFITS** (continued)

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

**NOTE 17 - COMPENSATED ABSENCES**

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

**NOTE 18 - NOTES PAYABLE**

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

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

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

**NOTE 18 - NOTES PAYABLE** (continued)

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

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

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

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

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

**NOTE 19 - LONG-TERM OBLIGATIONS**

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

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

(continued)

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

**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

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

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

**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

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

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

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

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

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**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

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

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

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

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

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

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

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

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

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

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

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**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

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

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

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

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

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

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

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

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

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

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

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

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**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

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

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

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

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

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

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

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

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**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

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

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

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

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

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

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

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

City of Bowling Green  
Notes to the Basic Financial Statements  
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**NOTE 19 - LONG-TERM OBLIGATIONS** (continued)

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

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

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

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

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

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

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

**NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

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

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

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

**NOTE 21 - FUND BALANCE**

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

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

(continued)

City of Bowling Green  
Notes to the Basic Financial Statements  
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**NOTE 21 - FUND BALANCE** (continued)

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

**NOTE 22 - INTERFUND TRANSFERS**

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

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

**NOTE 23 - INSURANCE POOLS**

**A. Buckeye Ohio Risk Management Agency (BORMA)**

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

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

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

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

**NOTE 24 - JOINT VENTURES**

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

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

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

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

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**NOTE 24 - JOINT VENTURES** (continued)

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

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

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

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

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

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

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

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**NOTE 24 - JOINT VENTURES** (continued)

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

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

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

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

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

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

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

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**NOTE 24 - JOINT VENTURES** (continued)

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

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

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

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

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

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

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

**NOTE 25 - JOINTLY GOVERNED ORGANIZATION**

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

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

**NOTE 26 - CONTINGENT LIABILITIES**

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

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

**NOTE 27 - SUBSEQUENT EVENT**

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

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

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

(1) Information prior to 2013 is not available.

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

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

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

(1) Information prior to 2013 is not available.

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

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

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

(1) Information prior to 2013 is not available.

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

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

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

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**Comparative Enterprise Fund Financial Statements**

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

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

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

(continued)

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

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

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

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

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

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

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

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

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

(continued)

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

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

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

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**CITY OF BOWLING GREEN  
WOOD COUNTY**

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

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

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - SUBRECIPIENTS**

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

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

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

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

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

**NOTE E – DOWNPAYMENT ASSISTANCE (HOME) LOAN PROGRAMS**

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

**CITY OF BOWLING GREEN  
WOOD COUNTY**

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

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

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

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

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

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

**NOTE G - MATCHING REQUIREMENTS**

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

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# Dave Yost • Auditor of State

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

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

To the City Council:

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

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 19, 2016



# Dave Yost • Auditor of State

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

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

To the City Council:

### ***Report on Compliance for the Major Federal Program***

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on the Major Federal Program***

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

### ***Report on Internal Control Over Compliance***

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

[www.ohioauditor.gov](http://www.ohioauditor.gov)

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

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 19, 2016

**CITY OF BOWLING GREEN  
WOOD COUNTY**

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

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

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

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

**FINDING NUMBER 2015-001**

**Material Weakness – Monitoring Financial Activity**

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

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

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

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

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

**Officials' Response:**

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

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**None**

**CITY OF BOWLING GREEN  
WOOD COUNTY**

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

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