

City of Bowling Green, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2019

KPM
CPAS & ADVISORS

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Independent Auditors' Report

Honorable Mayor and Board of Aldermen
City of Bowling Green
Bowling Green, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Bowling Green, Missouri, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Bowling Green, Missouri, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020, on our consideration of the City of Bowling Green, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bowling Green, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 24, 2020

Management's Discussion and Analysis

City of Bowling Green

Management's Discussion and Analysis

September 30, 2019

The Management's Discussion and Analysis of the City of Bowling Green's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities increased by \$929,230 for the year as a result of current year activities. The net position of the City's business activities increased by \$483,117 for the year.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of September 30, 2019, by \$24.2 million (net position). Of this amount \$4,374,093 was unrestricted and may be used to meet future obligations of the City.

Total long-term liabilities of the City decreased by \$1,040,541 during the year.

Total revenues decreased \$105,749 or 2% compared to prior year revenues, while total expenses decreased \$253,905 or 4%.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in it. The City's net position – the difference between assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities: Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.

Business-Type Activities: The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

City of Bowling Green

Management's Discussion and Analysis

September 30, 2019

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the Board of Aldermen establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in reconciliations following the fund financial statements.

Proprietary Funds

When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

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

City of Bowling Green

Management's Discussion and Analysis

September 30, 2019

Government-Wide Financial Analysis

Net Position

The following table presents the condensed Statement of Net Position for the City as of September 30, 2019 and 2018:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total September 30, 2019</u>	<u>Total September 30, 2018</u>
Assets				
Current and other assets	\$ 3,370,837	\$ 2,438,747	\$ 5,809,584	\$ 5,834,416
Net pension asset	673,816	-	673,816	564,442
Capital assets	10,645,701	15,975,535	26,621,236	26,381,748
Total Assets	<u>14,690,354</u>	<u>18,414,282</u>	<u>33,104,636</u>	<u>32,780,606</u>
Deferred Outflow of Resources				
Deferred pension outflows	11,688	-	11,688	25,360
Liabilities				
Other liabilities	296,495	693,588	990,083	1,079,545
Long-term liabilities outstanding	2,227,011	5,519,407	7,746,418	8,786,959
Total Liabilities	<u>2,523,506</u>	<u>6,212,995</u>	<u>8,736,501</u>	<u>9,866,504</u>
Deferred Inflow of Resources				
Deferred pension inflows	132,582	-	132,582	104,568
Net Position				
Net investment in capital assets	8,228,042	9,997,391	18,225,433	17,694,022
Restricted				
Non-expendable	29,321	-	29,321	29,321
Expendable	1,092,467	525,927	1,618,394	1,410,534
Unrestricted	2,696,124	1,677,969	4,374,093	3,701,017
Total Net Position	<u>\$ 12,045,954</u>	<u>\$ 12,201,287</u>	<u>\$ 24,247,241</u>	<u>\$ 22,834,894</u>

Total net position of the City increased by \$1,412,347 for the year due to current year activity. Total liabilities for the City decreased \$1,130,003.

City of Bowling Green

Management's Discussion and Analysis

September 30, 2019

Change In Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended September 30, 2019</u>	<u>Total Year Ended September 30, 2018</u>
Revenues				
Program Revenues				
Charges for services	\$ 153,601	\$ 3,170,263	\$ 3,323,864	\$ 3,389,728
Operating grants and contributions	12,016	-	12,016	9,840
Capital grants and contributions	6,400	36,000	42,400	-
General Revenues				
Property taxes	373,260	-	373,260	358,993
Sales taxes	2,085,695	-	2,085,695	2,093,499
Motor vehicle taxes	216,613	-	216,613	215,221
Other taxes	326,883	-	326,883	346,656
Franchise fees	313,700	-	313,700	351,851
Interest	17,366	83,697	101,063	95,459
Other revenue	29,275	-	29,275	69,271
Total Revenues	<u>3,534,809</u>	<u>3,289,960</u>	<u>6,824,769</u>	<u>6,930,518</u>
Expenses				
Administrative	280,956	-	280,956	567,756
Public safety	827,407	-	827,407	868,138
Fire	80,352	-	80,352	67,565
Community center	16,888	-	16,888	21,381
Airport	82,561	-	82,561	87,014
Street	816,381	-	816,381	770,186
Planning and zoning	55,338	-	55,338	81,160
Cemetery	42,141	-	42,141	42,444
Park	129,260	-	129,260	111,764
Pool	74,412	-	74,412	31,789
Library	87,438	-	87,438	98,675
Other	4,350	-	4,350	3,706
Debt service	108,095	-	108,095	129,461
Water	-	1,740,468	1,740,468	1,840,428
Sewer	-	1,066,375	1,066,375	944,860
Total Expenses	<u>2,605,579</u>	<u>2,806,843</u>	<u>5,412,422</u>	<u>5,666,327</u>
Special Item				
Gain on sale of capital assets	-	-	-	1,802
Increase in Net Position	<u>\$ 929,230</u>	<u>\$ 483,117</u>	<u>\$ 1,412,347</u>	<u>\$ 1,265,993</u>

City of Bowling Green

Management's Discussion and Analysis

September 30, 2019

Governmental Activities

Governmental activities increased the net position of the City by \$929,230. Tax revenues for the City were \$3,316,151 which represents 94% of the financing of these activities. Program revenues for the functions totaled \$172,017. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

Net Cost of the City of Bowling Green's Governmental Activities

	Total Cost of Services	Net Cost of Services
Administrative	\$ 280,956	\$ 262,073
Public safety	827,407	781,161
Fire	80,352	80,352
Airport	82,561	23,596
Street	816,381	809,981
Planning and zoning	55,338	42,336
Park	129,260	122,009
Community center	16,888	16,888
Library	87,438	79,427
Debt service	108,095	108,095
Other government activities	120,903	107,644
	<u>\$ 2,605,579</u>	<u>\$ 2,433,562</u>

Business-Type Activities

Business-type activities increased the City's net position by \$483,117.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2019, were \$3,263,694. The General Fund increased by \$344,864. The Cemetery Fund increased by \$6,941. The Park Fund increased by \$62,381. The Library Fund decreased by \$2,372. The Street CIP Fund increased by \$89,075.

General Fund Budgetary Highlights

Revenues

The original revenue budget of \$2,781,837 remained unchanged. Actual revenues were \$2,678,482 which is a difference of \$103,355.

Expenditures

The original expenditure budget of \$2,781,837 remained unchanged. Actual expenditures were \$2,333,618, which is a difference of \$448,219.

City of Bowling Green

Management's Discussion and Analysis

September 30, 2019

Capital Asset and Debt Administration

Capital Assets

Net capital assets of the governmental activities were \$10,645,701 as of September 30, 2019, which is a decrease of \$318,128 from the prior year. Net capital assets for business-type activities were \$15,975,535 as of September 30, 2019. This is an increase of \$557,616 due to capital asset additions of \$1,149,228 and depreciation of \$591,612.

Long-term Debt

Total long-term debt of the governmental activities as of September 30, 2019, was \$2,417,659, which is down from \$3,087,861 in the prior year, due to principal payments on debt in the amount of \$670,202.

Total long-term debt of the business-type activities as of September 30, 2019, was \$6,011,942, which is down from \$6,500,894 in the prior year, due to principal payments on debt in the amount of \$488,952.

Economic Factors and Next Year's Budget

Residential development continues with additions of both single-family dwellings, along with some multi-family (duplex) housing in the newest subdivision. Commercial development includes Community State Bank's newest branch which opened in December 2019 and the new Convention and Visitor's Center building should be complete in early 2020. The City is looking to repair/replace water/sewer lines and pave the new road for Locust St. and North Main Cross.

For 2020, McCoy & Blossom will be constructing a new funeral home and True Manufacturing is in the planning stages for an addition to their facility. MoDOT finished their new facility and Ameren is close to completion of their new building. Major improvements will be taking place at Bowling Green Municipal Airport with a grant in the amount of \$6.4 million.

One factor that might affect the budget is the closing of the Chevy Dealership without warning.

The 2019-2020 fiscal year budget consists of seven separate funds. The funds include the Library Fund, Cemetery Fund, Park Fund, Water Fund, Sewer Fund, General Fund and the Street CIP Fund. All seven of the city's funds are balanced for the 2019-2020 fiscal year.

The Board approved several capital improvement items for 2019-2020:

General Administration: iPads for Aldermen, data security upgrade, offsite backup, three new computers and two new monitors

Building/Code: Clothing allowance, upgrade Windows operating system

Police: N32 radar units, Glock 9 mm pistols, shotguns, computers for dispatch, protective vests, Dell server, Ford utility vehicle

Fire: Turnout gear, hose replacement, computer for officers, work lights, radios, gear racks, Jaws of Life and extraction machine

Grounds Maintenance: New sidewalk was finished in January 2020. Alliance is looking to build/add to existing building

Airport: Separate hangar electricity (\$5,000 was in previous year's budget)

City of Bowling Green

Management's Discussion and Analysis

September 30, 2019

Streets: Skid-pro snow blade, tail gate spreader for chip and seal, 2020 F550 dump truck (purchased between three different departments)

Street CIP: Roundabout will be a major undertaking for 2020

Park: Looking to build a stage for music events, add additional lighting and create a mini park at the Community Center

Sewer: Purchase motor/blower for Aero Basin, Idexx testing equipment for e-coli and new 2019 F350 regular cab chassis

Water: Pull and replace 1 7 3 high service pumps, rebuild pump, buy replacement motor and replace two deep well pumps, and install new Neptune water meters

City staff, the Mayor and members of the Board of Aldermen receive and review the financial status of the City throughout the fiscal year. This action will continue to allow the aggressive monitoring and management of the City's finances.

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers:

Linda Luebrecht, City Clerk/Administrator

Kim Moore, Treasurer

City of Bowling Green
16 W. Church
Bowling Green, Missouri 63334
(573) 324-5451

City of Bowling Green

Statement of Net Position

September 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 2,057,680	\$ 1,379,857	\$ 3,437,537
Investments - unrestricted	806,151	-	806,151
Ad valorem taxes receivable	2,537	-	2,537
Sales tax receivable	345,217	-	345,217
Utilities receivable, net	-	290,145	290,145
Other accounts receivable	48,618	-	48,618
Court fines receivable	42,462	-	42,462
Intergovernmental receivable	-	3,600	3,600
Accrued interest receivable	1,857	22	1,879
Inventory	-	103,955	103,955
Prepaid expenses	30,971	14,828	45,799
Noncurrent			
Restricted cash and cash equivalents	7,146	531,240	538,386
Restricted investments	28,198	115,100	143,298
Net pension asset	673,816	-	673,816
Capital Assets:			
Non-depreciable	1,103,673	1,069,062	2,172,735
Depreciable, net	9,542,028	14,906,473	24,448,501
Total Assets	14,690,354	18,414,282	33,104,636
Deferred Outflow of Resources			
Deferred pension outflows	11,688	-	11,688

See accompanying notes to the financial statements.

City of Bowling Green

Statement of Net Position

September 30, 2019

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current			
Accounts payable	47,390	82,419	129,809
Accrued expenses	21,990	-	21,990
Deposits payable	3,300	86,615	89,915
Accrued interest payable	13,815	32,019	45,834
Current maturities of long-term debt	210,000	492,535	702,535
	296,495	693,588	990,083
Noncurrent			
Revenue bonds payable	-	4,616,942	4,616,942
Certificates of participation payable	1,225,000	-	1,225,000
Capital leases payable	-	902,465	902,465
Loan payable	982,659	-	982,659
Compensated absences	19,352	-	19,352
	2,227,011	5,519,407	7,746,418
Total Liabilities	2,523,506	6,212,995	8,736,501
Deferred Inflow of Resources			
Deferred pension inflows	132,582	-	132,582
Net Position			
Net investment in capital assets	8,228,042	9,997,391	18,225,433
Restricted			
Non-expendable	29,321	-	29,321
Expendable	1,092,467	525,927	1,618,394
Unrestricted	2,696,124	1,677,969	4,374,093
Total Net Position	\$ 12,045,954	\$ 12,201,287	\$ 24,247,241

See accompanying notes to the financial statements.

City of Bowling Green

Statement of Activities

Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Administrative	\$ (280,956)	\$ 18,883	\$ -	\$ -	\$ (262,073)	\$ -	\$ (262,073)
Public safety	(827,407)	37,793	8,453	-	(781,161)	-	(781,161)
Fire	(80,352)	-	-	-	(80,352)	-	(80,352)
Community center	(16,888)	-	-	-	(16,888)	-	(16,888)
Airport	(82,561)	58,965	-	-	(23,596)	-	(23,596)
Street	(816,381)	-	-	6,400	(809,981)	-	(809,981)
Planning and zoning	(55,338)	13,002	-	-	(42,336)	-	(42,336)
Cemetery	(42,141)	3,000	-	-	(39,141)	-	(39,141)
Park	(129,260)	7,251	-	-	(122,009)	-	(122,009)
Pool	(74,412)	10,259	-	-	(64,153)	-	(64,153)
Library	(87,438)	4,448	3,563	-	(79,427)	-	(79,427)
Other	(4,350)	-	-	-	(4,350)	-	(4,350)
Debt service	(108,095)	-	-	-	(108,095)	-	(108,095)
Total Governmental Activities	(2,605,579)	153,601	12,016	6,400	(2,433,562)	-	(2,433,562)
Business-Type Activities							
Water	(1,740,468)	2,116,730	-	-	-	376,262	376,262
Sewer	(1,066,375)	1,053,533	-	36,000	-	23,158	23,158
Total Business Type Activities	(2,806,843)	3,170,263	-	36,000	-	399,420	399,420
Total Government	\$ (5,412,422)	\$ 3,323,864	\$ 12,016	\$ 42,400	(2,433,562)	399,420	(2,034,142)
General Revenues:							
Ad Valorem taxes					373,260	-	373,260
Sales taxes					2,085,695	-	2,085,695
Motor vehicle taxes					216,613	-	216,613
Other taxes					326,883	-	326,883
Franchise fees					313,700	-	313,700
Interest					17,366	83,697	101,063
Other revenue					29,275	-	29,275
Total General Revenues					3,362,792	83,697	3,446,489
<i>Changes in Net Position</i>					929,230	483,117	1,412,347
Net Position, Beginning of year					11,116,724	11,718,170	22,834,894
Net Position, End of year					\$ 12,045,954	\$ 12,201,287	\$ 24,247,241

See accompanying notes to the financial statements.

City of Bowling Green

Balance Sheet – Governmental Funds

September 30, 2019

	Special Revenue Funds					Total Governmental Funds
	General Fund	Cemetery Fund	Park Fund	Library Fund	Street CIP Fund	
Assets						
Cash and cash equivalents - unrestricted	\$ 1,264,326	\$ 87,946	\$ 249,183	\$ 41,798	\$ 414,427	\$ 2,057,680
Investments - unrestricted	600,000	50,000	150,000	6,151	-	806,151
Ad valorem taxes receivable	1,698	285	-	554	-	2,537
Sales tax receivable	244,667	-	33,517	-	67,033	345,217
Other accounts receivable	48,618	-	-	-	-	48,618
Court fines receivable	42,462	-	-	-	-	42,462
Accrued interest receivable	1,833	21	-	3	-	1,857
Prepaid expenses	28,198	-	1,743	1,030	-	30,971
Restricted cash and cash equivalents	5,873	1,273	-	-	-	7,146
Restricted investments	-	28,198	-	-	-	28,198
Total Assets	\$ 2,237,675	\$ 167,723	\$ 434,443	\$ 49,536	\$ 481,460	\$ 3,370,837
Liabilities, Deferred Inflow of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 37,947	\$ 3,868	\$ 105	\$ 247	\$ 5,223	\$ 47,390
Accrued expenses	20,259	-	-	1,731	-	21,990
Deposits payable	3,300	-	-	-	-	3,300
Total Liabilities	61,506	3,868	105	1,978	5,223	72,680

See accompanying notes to the financial statements.

City of Bowling Green

Balance Sheet – Governmental Funds

September 30, 2019

	Special Revenue Funds					Total Governmental Funds
	General Fund	Cemetery Fund	Park Fund	Library Fund	Street CIP Fund	
Deferred Inflow of Resources						
Deferred court fines	34,463	-	-	-	-	34,463
Total Deferred Inflow of Resources	34,463	-	-	-	-	34,463
Fund Balances						
Nonspendable						
Cemetery perpetual care	-	29,321	-	-	-	29,321
Prepaid items	28,198	-	1,743	1,030	-	30,971
Restricted for:						
Flag reserves	2,573	-	-	-	-	2,573
Cemetery donations	-	150	-	-	-	150
Cemetery	-	134,384	-	-	-	134,384
Park	-	-	432,595	-	-	432,595
Library	-	-	-	46,528	-	46,528
Street	-	-	-	-	476,237	476,237
Unassigned	2,110,935	-	-	-	-	2,110,935
Total Fund Balances	2,141,706	163,855	434,338	47,558	476,237	3,263,694
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	\$ 2,237,675	\$ 167,723	\$ 434,443	\$ 49,536	\$ 481,460	\$ 3,370,837

See accompanying notes to the financial statements.

City of Bowling Green

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

September 30, 2019

Fund balance - total governmental funds	\$ 3,263,694
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	15,481,712
Less accumulated depreciation	<u>(4,836,011)</u>
	10,645,701
The net pension asset is not available to pay for current period expenditures and, therefore, not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension asset and related deferred items:	
Net pension asset	673,816
Deferred outflows due to pensions	11,688
Deferred inflows due to pensions	<u>(132,582)</u>
	552,922
Adjustment of deferred court fines	34,463
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(13,815)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(2,437,011)</u>
Net Position of Governmental Activities	<u><u>\$ 12,045,954</u></u>

See accompanying notes to the financial statements.

City of Bowling Green

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended September 30, 2019

	Special Revenue Funds					Total Governmental Funds
	General Fund	Cemetery Fund	Park Fund	Library Fund	Street CIP Fund	
Revenues						
Taxes	\$ 2,501,039	\$ 44,636	\$ 226,674	\$ 90,472	\$ 453,330	\$ 3,316,151
Licenses and permits	26,254	-	-	-	-	26,254
Intergovernmental revenues	14,183	-	-	2,118	-	16,301
Charges for services	31,776	3,000	17,510	4,448	-	56,734
Fines and forfeitures	31,668	-	-	-	-	31,668
Miscellaneous	73,562	810	4,430	2,224	1,584	82,610
Total Revenues	2,678,482	48,446	248,614	99,262	454,914	3,529,718
Expenditures						
Current						
Administrative	313,598	-	-	-	-	313,598
Public safety	840,841	-	-	-	-	840,841
Fire	76,780	-	-	-	-	76,780
Community center	14,431	-	-	-	-	14,431
Airport	51,162	-	-	-	-	51,162
Street	503,737	-	-	-	79,363	583,100
Planning and zoning	67,953	-	-	-	-	67,953
Cemetery	-	41,505	-	-	-	41,505
Park	-	-	84,920	-	-	84,920
Pool	-	-	74,412	-	-	74,412
Library	-	-	-	95,169	-	95,169
Other	4,350	-	-	-	-	4,350
Debt Service						
Principal, interest and fees	460,766	-	26,901	6,465	286,476	780,608
Total Expenditures	2,333,618	41,505	186,233	101,634	365,839	3,028,829
<i>Excess (Deficit) of Revenues Over Expenditures</i>	344,864	6,941	62,381	(2,372)	89,075	500,889
Fund Balance, October 1	1,796,842	156,914	371,957	49,930	387,162	2,762,805
Fund Balance, September 30	\$ 2,141,706	\$ 163,855	\$ 434,338	\$ 47,558	\$ 476,237	\$ 3,263,694

See accompanying notes to the financial statements.

City of Bowling Green

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Year Ended September 30, 2019

Net change in fund balances - total governmental funds	\$ 500,889
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives on a straight line basis and reported as depreciation expense. The following is the detail of the amount by which depreciation exceeded capital outlays for the year:

Capital assets	141,576
Depreciation	(459,704)
	<u>(318,128)</u>

Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned.

	5,091
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The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt is a use of current financial resources of governmental funds. In the Statement of Activities, interest is accrued on outstanding debt whereas, in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences:

Repayment of principal on loans and leases	670,202
Accrued interest payable	2,311
	<u>672,513</u>

Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the Statement of Activities when incurred.

Change in pension related costs	67,688
Change in compensated absences	1,177
	<u>68,865</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 929,230</u></u>

See accompanying notes to the financial statements.

City of Bowling Green

Statement of Net Position – Proprietary Funds

September 30, 2019

Assets	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Current Assets			
Cash and cash equivalents	\$ 1,310,731	\$ 69,126	\$ 1,379,857
Utilities receivable, net	196,940	93,205	290,145
Intergovernmental receivable	-	3,600	3,600
Accrued interest receivable	22	-	22
Inventory	67,032	36,923	103,955
Prepaid expenses	8,953	5,875	14,828
Total Current Assets	1,583,678	208,729	1,792,407
Restricted Assets			
Cash and cash equivalents	415,189	116,051	531,240
Investments	57,550	57,550	115,100
Total Restricted Assets	472,739	173,601	646,340
Property, Plant and Equipment			
Land	57,354	146,276	203,630
Construction in progress	-	865,432	865,432
Sewer system	-	13,567,721	13,567,721
Water system	10,476,255	-	10,476,255
Pumping and purification	1,841,680	-	1,841,680
Lake	1,424,111	-	1,424,111
	13,799,400	14,579,429	28,378,829
Less accumulated depreciation	(7,091,397)	(5,311,897)	(12,403,294)
Total Property, Plant, and Equipment	6,708,003	9,267,532	15,975,535
Total Assets	8,764,420	9,649,862	18,414,282
Liabilities			
Current Liabilities			
Accounts payable	60,012	22,407	82,419
Deposits payable	86,615	-	86,615
Accrued interest payable	8,991	23,028	32,019
Current maturities of long-term debt	109,776	382,759	492,535
Total Current Liabilities	265,394	428,194	693,588
Long-Term Liabilities			
Revenue bonds payable	3,001,942	1,615,000	4,616,942
Capital leases payable	191,700	710,765	902,465
Total Long-Term Liabilities	3,193,642	2,325,765	5,519,407
Total Liabilities	3,459,036	2,753,959	6,212,995
Net Position			
Net investment in capital assets	3,408,009	6,589,382	9,997,391
Restricted	382,700	143,227	525,927
Unrestricted	1,514,675	163,294	1,677,969
Total Net Position	\$ 5,305,384	\$ 6,895,903	\$ 12,201,287

See accompanying notes to the financial statements.

City of Bowling Green

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

Year Ended September 30, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	\$ 2,104,771	\$ 1,037,992	\$ 3,142,763
Miscellaneous	11,959	15,541	27,500
Total Operating Revenues	2,116,730	1,053,533	3,170,263
Operating Expenses			
Administration	77,000	89,000	166,000
Legal and professional	64,328	73,321	137,649
Service agreement	539,097	275,320	814,417
Purchased services	946	1,654	2,600
Utilities	80,588	109,548	190,136
Maintenance	17,775	39,168	56,943
Supplies	205,088	74,396	279,484
Water purchased	259,773	-	259,773
Insurance	27,147	15,749	42,896
Depreciation	348,484	243,128	591,612
Miscellaneous	-	2,227	2,227
Total Operating Expenses	1,620,226	923,511	2,543,737
<i>Operating Income</i>	496,504	130,022	626,526
Nonoperating Revenues (Expenses)			
Grant revenue	-	36,000	36,000
Interest income	5,616	78,081	83,697
Interest expense	(120,242)	(142,864)	(263,106)
Total Nonoperating Revenues (Expenses)	(114,626)	(28,783)	(143,409)
<i>Net Income</i>	381,878	101,239	483,117
Net Position, October 1	4,923,506	6,794,664	11,718,170
Net Position, September 30	\$ 5,305,384	\$ 6,895,903	\$ 12,201,287

See accompanying notes to the financial statements.

City of Bowling Green

Statement of Cash Flows – Proprietary Funds

Year Ended September 30, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 2,125,072	\$ 1,040,813	\$ 3,165,885
Cash paid to suppliers	(1,284,473)	(727,267)	(2,011,740)
Net Cash Provided by Operating Activities	840,599	313,546	1,154,145
Cash Flows from Capital and Related Financing Activities			
Purchase of fixed assets	(292,892)	(800,822)	(1,093,714)
Grant proceeds	-	32,400	32,400
Payment of bond, lease, and loan principal	(106,011)	(382,941)	(488,952)
Payment of interest expense	(120,446)	(146,589)	(267,035)
Net Cash (Used) by Capital and Related Financing Activities	(519,349)	(1,297,952)	(1,817,301)
Cash Flows from Investing Activities			
Interest received on investments	5,616	78,081	83,697
Net Cash Provided by Investing Activities	5,616	78,081	83,697
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	326,866	(906,325)	(579,459)
Cash and Cash Equivalents, Beginning of year	1,399,054	1,091,502	2,490,556
Cash and Cash Equivalents, End of year	1,725,920	185,177	1,911,097
Less Restricted Cash and Cash Equivalents	415,189	116,051	531,240
Unrestricted Cash and Cash Equivalents	\$ 1,310,731	\$ 69,126	\$ 1,379,857
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 496,504	\$ 130,022	\$ 626,526
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	348,484	243,128	591,612
(Increase) decrease in:			
Utilities receivable	2,602	(12,720)	(10,118)
Inventory	(12,071)	1,893	(10,178)
Prepaid expenses	(933)	(542)	(1,475)
Increase (decrease) in:			
Accounts payable	273	(48,235)	(47,962)
Deposits payable	5,740	-	5,740
Net Cash Provided by Operating Activities	\$ 840,599	\$ 313,546	\$ 1,154,145

See accompanying notes to the financial statements.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

1. Summary of Significant Accounting Policies

The City of Bowling Green, Missouri, (the City) was incorporated in 1823 under the provisions of the State of Missouri. The City operates under a Board of Aldermen-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning, and general administrative services. Other services include water and sewer operations.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The City is organized under the laws of the State of Missouri and is a primary government, which is governed by an elected Board of Aldermen. As required by accounting principles generally accepted in the United States of America, the City has evaluated the criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the criteria and therefore, no other entity has been included as a component unit in the financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

Government-Wide Financial Statements

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Position, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Fund Financial Statements

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Cemetery Fund: The Cemetery Fund of the City is used to account for resources restricted, committed or assigned for operations of City cemeteries.

Park Fund: The Park Fund of the City is used to account for resources restricted, committed or assigned for operations of City parks.

Library Fund: The Library Fund of the City is used to account for resources restricted, committed or assigned for operations of the City library.

Street CIP Fund: The Street CIP Fund of the City is used to account for resources restricted, committed or assigned for street related capital improvements.

The City reports the following major proprietary funds:

Water Fund: The Water Fund accounts for the activities and capital improvements of the City's water operations.

Sewer Fund: The Sewer Fund accounts for the activities and capital improvements of the City's sewer operations.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the city elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Distribution system	20-100 years
Buildings and improvements	50 years
Purification	20-50 years
Machinery and equipment	5-15 years
Infrastructure	35-50 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory usage is recognized on the consumption method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Fund is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Cost*. There was no interest capitalized during the current fiscal year.

Compensated Absences

Employees earn vacation time based on the number of years' service to the City. Outstanding vacation is payable on termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. All other revenue and expenses are considered nonoperating.

Net Position

In the government-wide financial statements, net position is classified in three components as follows:

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted: This consists of net position that does not meet the definition of restricted or net investment in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City first applies restricted net position.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance: This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance: This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's Board of Aldermen.

Assigned fund balance: This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The Board of Alderman has formally adopted an ordinance that the General Fund should maintain at least \$1,000,000 in reserves at all times.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, deferred pension inflows relating to the retirement plan on the Statement of Net Position and deferred amounts relating to court fines on the Balance Sheet. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for city court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

2. Cash & Cash Equivalents

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2019, all bank balances on deposit are entirely insured or collateralized.

3. Investments

Investments of the City as of September 30, 2019, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	10/23/2019 - 3/22/2021	<u>\$ 949,449</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2019, all certificates of deposit are entirely insured or collateralized with securities.

The City does not have a policy on interest rate risk.

4. Restricted Assets

Governmental Activities

Cash, investments and net position have been restricted as follows:

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
General Fund		
Excavation permit bond	\$ 3,000	\$ -
Community center deposits	300	-
Flag reserves	2,573	2,573
	<u>\$ 5,873</u>	<u>\$ 2,573</u>

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

	Restricted Cash and Investments	Restricted Net Position
Cemetery Fund		
Nonspendable		
Perpetual care	\$ 29,321	\$ 29,321
Restricted		
Cemetery tax	-	134,384
Cemetery donations	150	150
	\$ 29,471	\$ 163,855
Park Fund		
Park sales tax	\$ -	\$ 432,595
Library Fund		
Library tax	\$ -	\$ 46,528
Street CIP Fund		
Transportation tax	\$ -	\$ 476,237

Business-Type Activities

The 2003B Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Ordinance and USDA Series 2012 A, B, and C Combined Waterworks and Sewerage System Revenue Bonds established amounts required to be deposited in certain sinking and reserve funds. All required deposits have been made. These special cash reserves are reported in the accompanying Statement of Net Position as restricted cash and investments, and restricted net position. Restricted cash and investments also include cash restricted for customer deposits and unspent lease project funds. These restrictions are as follows:

	Restricted Cash and Investments	Restricted Net Position
Water Fund		
USDA Revenue Bonds		
Debt service reserve	\$ 138,138	\$ 138,138
Short lived asset reserve	244,562	244,562
Water project lease funds	3,424	-
Customer deposits	86,615	-
	\$ 472,739	\$ 382,700
Sewer Fund		
2003B Revenue Bonds		
Principal and interest	\$ 85,677	\$ 85,677
Depreciation and replacement	57,550	57,550
Sewer project lease funds	30,374	-
	\$ 173,601	\$ 143,227

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

5. Accounts Receivable

Accounts receivable is presented net of an allowance for doubtful accounts as follows:

	Gross Receivable	Allowance	Net Receivable
Utilities Receivable			
Water Fund	\$ 197,101	\$ (161)	\$ 196,940
Sewer Fund	93,229	(24)	93,205
	\$ 290,330	\$ (185)	\$ 290,145

6. Long-Term Debt – Governmental Activities

Long-term debt of the City consists of the 2012 Refunding Certificates of Participation, the 2015 Certificates of Participation, a loan payable and compensated absences.

Certificates of Participation Payable

Series 2012 Certificates of Participation

On October 3, 2012, the City issued \$1,335,000 in Refunding Certificates of Participation for the purpose of refunding the 2004A Leasehold Revenue Refunding Bonds and 2004B Leasehold Revenue Bonds issued by the Bowling Green Municipal Assistance Corporation. In the event of default, by written notice, the trustee may declare all rent payable to the end of the then-current original term or renewal term to be due; or the trustee may take possession of the leased property and sell the trustee's interest in the property or sublease the property and continue to hold the City liable for the difference between (1) the rent payable by the City for the then-current original term or renewal term and (2) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the trustee in exercising its remedies under this lease, including without limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the leased property and all brokerage, auctioneers and attorneys' fees and expenses). The trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the leased property and under this lease. The Certificates bear interest at various rates ranging from 1.10% to 3.70% with principal payments due on November 1 and interest payments due on May 1 and November 1 each year.

The 2012 Refunding Certificates of Participation outstanding at September 30, 2019, are due as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 90,000	\$ 20,425	\$ 110,425
2021	95,000	17,670	112,670
2022	95,000	14,606	109,606
2023	100,000	11,265	111,265
2024	105,000	7,625	112,625
2025	155,000	2,867	157,867
	\$ 640,000	\$ 74,458	\$ 714,458

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Series 2015 Certificates of Participation

On July 29, 2015, the City issued \$1,235,000 in Certificates of Participation for the purpose of acquiring, constructing, reconstructing, installing, repairing, and equipping certain road and street improvements within the City. In the event of default, by written notice, the trustee may declare all rent payable to the end of the then-current original term or renewal term to be due; or the trustee may take possession of the leased property and sell the trustee's interest in the property or sublease the property and continue to hold the City liable for the difference between (1) the rent payable by the City for the then-current original term or renewal term and (2) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the trustee in exercising its remedies under this lease, including without limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the leased property and all brokerage, auctioneers and attorneys' fees and expenses). The trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the leased property and under this lease. The Certificates bear interest at a rate of 3.60% with principal payments due on August 1 and interest payments due on February 1 and August 1 each year.

The 2015 Certificates of Participation outstanding at September 30, 2019, are due as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 120,000	\$ 28,620	\$ 148,620
2021	125,000	24,300	149,300
2022	130,000	19,800	149,800
2023	135,000	15,120	150,120
2024	140,000	10,260	150,260
2025	145,000	5,220	150,220
	<u>\$ 795,000</u>	<u>\$ 103,320</u>	<u>\$ 898,320</u>

Loan Payable

During 2008, the City entered into a Sales Tax Reimbursement Agreement with Bowling Green Town Center, LLC ("Developer"). During the year ended September 30, 2010, the project was completed and the City began repayment. The purpose of the agreement was to have the Developer construct a shopping center, which will improve the economic welfare of the City by enhancing the tax base, and improve certain public infrastructure within the City. Per the agreement, the City will reimburse the Developer for a predetermined portion of the costs of such improvements. In the event of default, all amounts will become immediately due and payable. Quarterly payments are the lesser of 85% of tax revenue generated from Wal-Mart or 140% of the rental payments due under the lease. Five year maturities for principal and interest are not presented since the future revenue from taxes and principal payments will vary from year to year. As of September 30, 2019, the total outstanding balance on the loan is \$982,659.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

The following table is a summary of the changes in the Long-Term Debt – Governmental Activities:

	Balance September 30, 2018	New Obligations	Retirements	Balance September 30, 2019	Amounts Due Within One Year
Certificates of Participation Payable					
Series 2012	\$ 725,000	\$ -	\$ 85,000	\$ 640,000	\$ 90,000
Series 2014	133,800	-	133,800	-	-
Series 2015	910,000	-	115,000	795,000	120,000
	<u>1,768,800</u>	<u>-</u>	<u>333,800</u>	<u>1,435,000</u>	<u>210,000</u>
Direct Placement					
Loan Payable	1,319,061	-	336,402	982,659	-
Compensated Absences	20,529	-	1,177	19,352	-
	<u>\$ 3,108,390</u>	<u>\$ -</u>	<u>\$ 671,379</u>	<u>\$ 2,437,011</u>	<u>\$ 210,000</u>

7. Long-Term Debt – Business Type Activities

Long-term debt in the Water and Sewer Funds consists of the 2003B Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program), 2012A, B and C Combined Waterworks and Sewerage System Revenue Bonds and two capital leases payable.

Water Fund

2012 Combined Waterworks and Sewerage System Revenue Bonds

In January 2012, the City entered into an agreement with the United States Department of Agriculture to issue \$2,019,000, \$500,000 and \$979,000 in Combined Waterworks and Sewerage System Revenue Bonds Series A, Series B, and Series C, respectively. If the City defaults in the payment of principal or interest on any of the bonds as they become due for a period of 60 days after written notice specifying such default has been given to the City, by the registered owner of any bond then outstanding, then at any time thereafter and while such default continues, the registered owners of 25% in principal amounts of the bonds outstanding may, by written notice to the City declare the principal of all bonds then outstanding to be due and payable immediately. The bonds bear interest at 2.375% to 4.0%. Principal and interest payments are due monthly each year.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

The annual debt service requirements to amortize the principal on the bonds outstanding at September 30, 2019, are listed in the following tables:

Series 2012A

Year Ending September 30,	Direct Placement		
	Principal	Interest	Total
2020	\$ 40,306	\$ 70,970	\$ 111,276
2021	41,948	69,328	111,276
2022	43,657	67,619	111,276
2023	45,436	65,840	111,276
2024	47,287	63,989	111,276
2025	49,214	62,062	111,276
2026	51,219	60,057	111,276
2027	53,305	57,971	111,276
2028	55,477	55,799	111,276
2029	57,737	53,539	111,276
2030	60,090	51,186	111,276
2031	62,538	48,738	111,276
2032	65,086	46,190	111,276
2033	67,737	43,539	111,276
2034	70,497	40,779	111,276
2035	73,369	37,907	111,276
2036	76,359	34,917	111,276
2037	79,470	31,806	111,276
2038	82,707	28,569	111,276
2039	86,077	25,199	111,276
2040	89,584	21,692	111,276
2041	93,234	18,042	111,276
2042	97,032	14,244	111,276
2043	100,985	10,291	111,276
2044	105,100	6,176	111,276
2045	97,111	1,929	99,040
	<u>\$ 1,792,562</u>	<u>\$ 1,088,378</u>	<u>\$ 2,880,940</u>

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Series 2012B

<u>Year Ending September 30,</u>	<u>Direct Placement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,991	\$ 17,573	\$ 27,564
2021	10,398	17,166	27,564
2022	10,822	16,742	27,564
2023	11,262	16,302	27,564
2024	11,721	15,843	27,564
2025	12,199	15,365	27,564
2026	12,696	14,868	27,564
2027	13,213	14,351	27,564
2028	13,751	13,813	27,564
2029	14,312	13,252	27,564
2030	14,895	12,669	27,564
2031	15,502	12,062	27,564
2032	16,133	11,431	27,564
2033	16,790	10,774	27,564
2034	17,475	10,089	27,564
2035	18,186	9,378	27,564
2036	18,927	8,637	27,564
2037	19,699	7,865	27,564
2038	20,501	7,063	27,564
2039	21,336	6,228	27,564
2040	22,206	5,358	27,564
2041	23,110	4,454	27,564
2042	24,052	3,512	27,564
2043	25,032	2,532	27,564
2044	26,052	1,512	27,564
2045	23,606	461	24,067
	<u>\$ 443,867</u>	<u>\$ 269,300</u>	<u>\$ 713,167</u>

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Series 2012C

<u>Year Ending September 30,</u>	<u>Direct Placement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 23,461	\$ 19,679	\$ 43,140
2021	24,025	19,115	43,140
2022	24,602	18,538	43,140
2023	25,192	17,948	43,140
2024	25,797	17,343	43,140
2025	26,417	16,723	43,140
2026	27,051	16,089	43,140
2027	27,700	15,440	43,140
2028	28,365	14,775	43,140
2029	29,047	14,093	43,140
2030	29,744	13,396	43,140
2031	30,458	12,682	43,140
2032	31,189	11,951	43,140
2033	31,938	11,202	43,140
2034	32,705	10,435	43,140
2035	33,490	9,650	43,140
2036	34,295	8,845	43,140
2037	35,118	8,022	43,140
2038	35,961	7,179	43,140
2039	36,825	6,315	43,140
2040	37,709	5,431	43,140
2041	38,614	4,526	43,140
2042	39,541	3,599	43,140
2043	40,491	2,649	43,140
2044	41,463	1,677	43,140
2045	42,458	682	43,140
2046	5,615	21	5,636
	<u>\$ 839,271</u>	<u>\$ 288,005</u>	<u>\$ 1,127,276</u>

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Water and Sewer Project Capital Lease Payable

On May 9, 2018, the City entered into a lease purchase agreement to finance an ultraviolet disinfection system project at the wastewater plant, upgrading lift station D and painting the water tower in the amount of \$1,000,000. \$875,000 of the lease was recorded as long-term debt in the Sewer Fund and \$125,000 was recorded as long-term debt in the Water Fund. In the event of default, Lessor may (a) by written notice, declare an amount equal to all amounts then due under the lease and all remaining rental payments which will become due during the then current fiscal year of Lessee to be immediately due and payable and such amounts shall thereafter bear interest at the rate of 1.5% per month or the maximum rate permitted by applicable law, whichever is less or (b) by written notice to Lessee, request Lessee to, at Lessee's expense, promptly cease use and return the equipment to Lessor at its option and with or without terminating the lease term may enter upon the premises where the equipment is located and take immediate possession of the equipment and (c) sell or lease the equipment or sublease it for the account of Lessee and holding Lessee liable for all rental payments and other payments due to the effective date of such selling, leasing or subleasing and for the difference between the net purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and the remaining amounts payable by the Lessee through the end of the then current fiscal year and (d) exercise any other right, remedy or privilege which may be available to it under applicable law. The agreement requires annual principal payments on May 16 each year and interest payments on May 16 and November 16 each year with interest at 3.15%.

The City's lease/purchase agreements provide for the cancellation of the leases at the City's option on the renewal date each year per State statute, however, the City does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancelable capital leases in accordance with FASB Accounting Standards Codification Topic No. 840-30-30, "Accounting for Capital Leases."

The total annual minimum lease payments required at September 30, 2019, are as follows:

Year Ending September 30,	Direct Borrowing		
	Principal	Interest	Total
2020	\$ 94,582	\$ 28,567	\$ 123,149
2021	96,072	25,587	121,659
2022	97,585	22,561	120,146
2023	99,122	19,487	118,609
2024	100,683	16,365	117,048
2025	102,269	13,193	115,462
2026	103,879	9,972	113,851
2027	105,516	6,700	112,216
2028	107,177	3,376	110,553
	<u>\$ 906,885</u>	<u>\$ 145,808</u>	<u>\$ 1,052,693</u>
Business-Type Activities			
Water Fund	\$ 113,361		
Sewer Fund	793,524		
	<u>\$ 906,885</u>		

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Sludge Truck Capital Lease Payable

On April 19, 2018, the City entered into a lease purchase agreement in the Water Fund to finance the purchase of a sludge truck in the amount of \$172,077. The Lessor will assess a late fee for any payment made after the due date equal to the lessor of 5% or the highest charge allowed by law. In the event of default, the Lessor may declare all lease payments immediately due and payable or may repossess the equipment with 10 days of giving written notice. The agreement requires monthly payments of \$2,408 with interest at 4.55%.

The City's lease/purchase agreement provide for the cancellation of the lease at the City's option on the renewal date each year per State statute, however, the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancelable capital lease in accordance with FASB Accounting Standards Codification Topic No. 840-30-30, "Accounting for Capital Leases."

The total annual minimum lease payments required at September 30, 2019, are as follows:

Year Ending September 30,	Direct Borrowing		
	Principal	Interest	Total
2020	\$ 24,195	\$ 4,703	\$ 28,898
2021	25,319	3,579	28,898
2022	26,496	2,402	28,898
2023	27,727	1,171	28,898
2024	10,620	107	10,727
	<u>\$ 114,357</u>	<u>\$ 11,962</u>	<u>\$ 126,319</u>

Sewer Fund

2003B Combined Waterworks and Sewerage System Revenue Bonds

In November 2003, the City entered into an agreement with the Missouri Leveraged State Water Pollution Control Revolving Fund Program to sell \$5,560,000 in Combined Waterworks and Sewerage System Revenue Bonds, Series 2003B. The bonds bear interest at 2.0% to 5.0%. The interest paid is offset by an interest subsidy from the State of Missouri's 50% bond reserves. Interest payments are due semi-annually on January 1 and July 1 of each year with annual principal payments due July 1 of each year. The bonds also require an administrative fee payable annually on July 1 of each year at .714% of the outstanding principal balance. In the event of default, DNR would pursue any available remedies at law or equity by suit, action, mandamus or other proceeding to enforce and compel the payment of principal and interest on the bonds and all other amounts due under the Ordinance and other loan documents, and/or the performance of the duties and obligations of the City under the loan documents, which may include but is not limited to, the payment of damages, penalties, interest, fees and expenses.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

The annual debt service requirements to amortize the principal on the 2003B revenue bonds outstanding at September 30, 2019, are listed in the following table:

Year Ending September 30,	Direct Placement			
	Principal	Interest	Administrative Fee	Total
2020	\$ 300,000	\$ 92,110	\$ 13,673	\$ 405,783
2021	305,000	78,910	11,531	395,441
2022	315,000	63,660	9,353	388,013
2023	325,000	47,910	7,104	380,014
2024	330,000	31,660	4,784	366,444
2025	340,000	16,150	2,428	358,578
	<u>\$ 1,915,000</u>	<u>\$ 330,400</u>	<u>\$ 48,873</u>	<u>\$ 2,294,273</u>

The following table is a summary of the changes in the Long-Term Debt – Business-Type Activities for the year ended September 30, 2019:

	Balance September 30, 2018	New Obligations	Retirements	Balance September 30, 2019	Amounts Due Within One Year
Water Fund					
Direct Placement/Direct Borrowings					
Revenue Bonds Payable					
Series 2012A	\$ 1,831,297	\$ -	\$ 38,735	\$ 1,792,562	\$ 40,306
Series 2012B	453,469	-	9,602	443,867	9,991
Series 2012C	862,184	-	22,913	839,271	23,461
	<u>3,146,950</u>	<u>-</u>	<u>71,250</u>	<u>3,075,700</u>	<u>73,758</u>
Capital Leases Payable					
Water project	125,000	-	11,639	113,361	11,823
Sludge truck	137,479	-	23,122	114,357	24,195
	<u>262,479</u>	<u>-</u>	<u>34,761</u>	<u>227,718</u>	<u>36,018</u>
	<u>3,409,429</u>	<u>-</u>	<u>106,011</u>	<u>3,303,418</u>	<u>109,776</u>

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

	Balance September 30, 2018	New Obligations	Retirements	Balance September 30, 2019	Amounts Due Within One Year
Sewer Fund					
Direct Placement/Direct Borrowings					
Revenue Bonds Payable					
Series 2003B	2,205,000	-	290,000	1,915,000	300,000
Capital Lease Payable					
Sewer project	875,000	-	81,476	793,524	82,759
Alliance Loan Payable	11,465	-	11,465	-	-
	<u>3,091,465</u>	<u>-</u>	<u>382,941</u>	<u>2,708,524</u>	<u>382,759</u>
	<u>\$ 6,500,894</u>	<u>\$ -</u>	<u>\$ 488,952</u>	<u>\$ 6,011,942</u>	<u>\$ 492,535</u>

8. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019
Governmental Activities				
Non-depreciable capital assets				
Land	\$ 1,103,673	\$ -	\$ -	\$ 1,103,673
Construction in progress	10,316	9,501	19,817	-
Total Non-depreciable Capital Assets	<u>1,113,989</u>	<u>\$ 9,501</u>	<u>\$ 19,817</u>	<u>1,103,673</u>
Depreciable capital assets				
Building and improvements	2,484,717	\$ -	\$ -	2,484,717
Machinery and equipment	1,514,977	151,892	-	1,666,869
Infrastructure	10,226,453	-	-	10,226,453
Total Depreciable Capital Assets	<u>14,226,147</u>	<u>\$ 151,892</u>	<u>\$ -</u>	<u>14,378,039</u>
Less Accumulated Depreciation				
Buildings and improvements	719,899	\$ 54,006	\$ -	773,905
Machinery and equipment	979,718	139,425	-	1,119,143
Infrastructure	2,676,690	266,273	-	2,942,963
Total Accumulated Depreciation	<u>4,376,307</u>	<u>\$ 459,704</u>	<u>\$ -</u>	<u>4,836,011</u>
Total Depreciable Capital Assets, net	<u>9,849,840</u>			<u>9,542,028</u>
Total Governmental Activities Capital Assets, net	<u>\$10,963,829</u>			<u>\$10,645,701</u>

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Depreciation expense for governmental activities was charged to functions as follows:

Administrative	\$ 4,216
Community center	2,457
Library	1,731
Public safety	27,494
Fire	23,389
Park	44,340
Airport	31,399
Street	324,042
Cemetery	636
	\$ 459,704

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019
Business-Type Activities				
<i>Water Fund</i>				
Non-depreciable Capital Assets				
Land	\$ 57,354	\$ -	\$ -	\$ 57,354
Depreciable Capital Assets				
Water system	10,150,163	\$ 326,092	\$ -	10,476,255
Pumping and purification	1,841,680	-	-	1,841,680
Lake	1,424,111	-	-	1,424,111
Total Depreciable Capital Assets	13,415,954	\$ 326,092	\$ -	13,742,046
Less Accumulated Depreciation	6,742,913	\$ 348,484	\$ -	7,091,397
Depreciable Capital Assets, net	6,673,041			6,650,649
<i>Sewer Fund</i>				
Non-depreciable Capital Assets				
Land	146,276	\$ -	\$ -	146,276
Construction in progress	108,408	757,024	-	865,432
Total Non-depreciable Capital Assets	254,684	\$ 757,024	\$ -	1,011,708
Depreciable Capital Assets				
Sewer system	13,501,609	\$ 66,112	\$ -	13,567,721
Less Accumulated Depreciation	5,068,769	\$ 243,128	\$ -	5,311,897
Depreciable Capital Assets, net	8,432,840			8,255,824
Total Capital Assets Business-Type Activities, net	\$ 15,417,919			\$ 15,975,535

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

9. Employee Pension Plan

General Information about the Pension Plan

Plan Description. The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

	<u>2019 Valuation</u>
Benefit Multiplier	1.75% for life
Final Average Salary	5 years
Member Contributions	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms. At June 30, 2019, which is LAGERS fiscal year end and the latest information available, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>
Inactive employees or beneficiaries currently receiving benefits	18	6
Inactive employees entitled to but not yet receiving benefits	10	15
Active employees	6	10
	<u>34</u>	<u>31</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 7.5% for General and 5.7% for Police of annual covered payroll.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Net Pension Asset. The employer's net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2019.

Actuarial Assumptions. The total pension asset in the February 28, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25% net of investment expense

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2018. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2019, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.51%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a) - (b)
<i>General Division</i>			
Balances at beginning of year	\$ 1,574,655	\$ 1,885,301	\$ (310,646)
Changes for the year:			
Service cost	33,602	-	33,602
Interest	111,306	-	111,306
Difference between expected and actual experiences	(93,618)	-	(93,618)
Contributions - employer	-	22,921	(22,921)
Net investment income	-	136,246	(136,246)
Benefits paid, including refunds	(113,799)	(113,799)	-
Administrative expenses	-	(3,498)	3,498
Other (net transfer)	-	(2,037)	2,037
Net Changes	(62,509)	39,833	(102,342)
Balance at end of year	1,512,146	1,925,134	(412,988)
<i>Police Division</i>			
Balances at beginning of year	811,037	1,064,833	(253,796)
Changes for the year:			
Service Cost	30,218	-	30,218
Interest	59,125	-	59,125
Difference between expected and actual experiences	(8,152)	-	(8,152)
Contributions - employer	-	20,291	(20,291)
Net investment income	-	69,075	(69,075)
Benefits paid, including refunds	(21,106)	(21,106)	-
Administrative expenses	-	(2,295)	2,295
Other (net transfer)	-	1,152	(1,152)
Net Changes	60,085	67,117	(7,032)
Balance at end of year	871,122	1,131,950	(260,828)
Total Plan Balances at End of Year	\$ 2,383,268	\$ 3,057,084	\$ (673,816)

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following present the net pension asset of the employer, calculated using the discount rate of 7.25%, as well as what the employer's net pension asset would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 1,711,707	\$ 1,512,146	\$ 1,349,706
Fiduciary Net Position	1,925,134	1,925,134	1,925,134
Net Pension (Asset)	(213,427)	(412,988)	(575,428)
<i>Police Division</i>			
Total Pension Liability	1,018,988	871,122	754,510
Fiduciary Net Position	1,131,950	1,131,950	1,131,950
Net Pension (Asset)	(112,962)	(260,828)	(377,440)
Total Net Pension (Asset)	\$ (326,389)	\$ (673,816)	\$ (952,868)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the employer recognized pension credit of \$38,160 in the general division and pension expense of \$8,002 in the police division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ -	\$ (38,344)	\$ (38,344)
Excess investment returns	-	(57,532)	(57,532)
Contributions subsequent to the measurement date	4,979	-	4,979
	4,979	(95,876)	(90,897)
<i>Police Division</i>			
Differences in experiences	1,366	(13,261)	(11,895)
Differences in assumptions	935	-	935
Excess investment returns	-	(23,445)	(23,445)
Contributions subsequent to the measurement date	4,408	-	4,408
	6,709	(36,706)	(29,997)
	\$ 11,688	\$ (132,582)	\$ (120,894)

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset for the year ending September 30, 2020.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>General Net Deferred (Inflows) of Resources</u>	<u>Police Net Deferred Outflows (Inflows) of Resources</u>	<u>Total Net Deferred Outflows (Inflows) Resources</u>
2020	\$ (46,394)	\$ (10,337)	\$ (56,731)
2021	(31,504)	(17,853)	(49,357)
2022	(17,379)	(7,827)	(25,206)
2023	(599)	1,612	1,013
	<u>\$ (95,876)</u>	<u>\$ (34,405)</u>	<u>\$ (130,281)</u>

Payable to the Pension Plan

At September 30, 2019, the City had no outstanding contributions reported as payable to the pension plan.

10. Assessed Valuation, Tax Levy, & Legal Debt Margin

The assessed valuation of the tangible property and the tax levies per \$100 assessed valuation of that property were as follows:

	<u>2018</u>
Assessed Valuation	
Real estate	\$ 31,698,060
Personal property	7,997,289
	<u>\$ 39,695,349</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$.6382
Cemetery Fund	.0984
Library Fund	.1970
	<u>\$.9336</u>

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

The legal debt margin at September 30, 2019, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional debt limit	\$ 3,969,535	\$ 3,969,535	\$ 7,939,070
General Obligation Bonds payable	-	-	-
Legal Debt Margin	<u>\$ 3,969,535</u>	<u>\$ 3,969,535</u>	<u>\$ 7,939,070</u>

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights of way, constructing, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

11. Deferred Court Fines

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred court fines are to be collected over several years. All of the deferred court fines at September 30, 2019, are accounted for as follows:

General Fund

Deferred court fines	<u>\$ 34,463</u>
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12. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

13. Claims & Adjustments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of September 30, 2019, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

14. Bond Ordinances

On August 7, 2007, the City passed a \$3,000,000 bond issue for the purpose of acquiring, constructing, extending, improving, furnishing and equipping the City's combined waterworks and sewerage system. As of September 30, 2019, \$922,000 of the 2007 bond ordinance had not been issued.

15. Commitments

At September 30, 2019, the City had the following commitment:

Alliance Water Resource, Inc. in the amount of \$1,217,508, for professional services which include providing management, operation, and maintenance of the water and sewer system for fiscal year 2020.

16. Pledged Revenues

The City has pledged future water and sewer customer revenues to repay the 2003B and 2012 Series A, B, and C Waterworks and Sewerage System Combined Revenue Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2046. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$6,966,783. Principal and interest paid for the current year and total customer net revenues were \$578,590 and \$1,218,138, respectively. In addition, interest subsidies paid \$63,372 of the total interest expense.

17. Conduit Debt

On December 20, 2002, the City authorized the issuance of \$103,400,000 of Taxable Industrial Development Revenue Bonds (AmerenUE Project), Series 2002. The issuance is Chapter 100 debt in order to provide economic financial assistance to a third-party private entity and the City has no obligation beyond the rents, revenues, and receipts derived by the City from the Project; therefore, the issue does not constitute a debt of the City and, accordingly, is not included in the City's statement of net position. At September 30, 2019, the amount outstanding was \$29,692,868.

18. Tax Abatements

As of September 30, 2019, the City provided tax abatements through the following programs:

The Urban Redevelopment Corporation Law, or Chapter 353, is an economic development tool to encourage redevelopment of blighted areas. Under Sections 353.010-353.190, RSMo., the Urban Redevelopment Corporation has a tax abatement available for 25 years. During the first 10 years, the property is not subject to real property taxes except in the amount of real property taxes assessed on the land during the calendar year during with the Urban Redevelopment Corporation acquired title to the real property. For the remaining 15 years, the property may be assessed up to 50% of its true value. Payments in lieu of taxes (PILOTs) may be imposed on the Urban Redevelopment Corporation by the city in order to replace all or part of the real estate taxes abated. The PILOTs must be allocated based on a proportionate share to each taxing district.

City of Bowling Green

Notes to the Financial Statements

September 30, 2019

The Chapter 100 Industrial Development Act allow cities or counties to purchase or construct certain types of projects with bond proceeds and lease the project to a company under Sections 100.010-100.200, RSMo. Eligible projects include the purchase, construction, extension and improvement of warehouses, distributions facilities, research and development facilities, office industries, agricultural processing industries, service facilities which provide interstate commerce, and industrial plants. Since the city or county owns the property and leases it to the company, an amount of the property taxes can be abated for a term agreed on by the city or county issuer and the company. Cities and counties are allowed to require the company to make payments in lieu of taxes (PILOTs) for a portion of the taxes it would have otherwise been required to pay.

Information relevant to disclosure of these programs for the year ended September 30, 2019, is as follows:

Tax Abatement Program	Type of Tax Abated	Amount of Taxes Abated During 9/30/19	Payment in Lieu of Tax Received
Urban Redevelopment (Chapter 353)	Real-estate taxes	\$ 1,802	\$ -
Chapter 100	Real-estate taxes	292,777	165,742
		<u>\$ 294,579</u>	<u>\$ 165,742</u>

Required Supplementary Information

City of Bowling Green

Schedule of Changes in Net Pension Asset and Related Ratios

Year Ended September 30, 2019

Missouri Local Government Employees Retirement System (LAGERS)

	Year Ended September 30, 2019	Year Ended September 30, 2018	Year Ended September 30, 2017	Year Ended September 30, 2016	Year Ended September 30, 2015
Total Pension Liability					
Service Cost	\$ 63,820	\$ 55,683	\$ 60,825	\$ 65,548	\$ 62,690
Interest on the total pension liability	170,431	153,015	153,375	135,916	127,946
Change of benefit terms	-	140,890	-	-	-
Difference between expected and actual experience	(101,770)	(12,700)	(147,813)	33,624	(8,745)
Changes of assumptions	-	-	-	79,884	-
Benefit payments	(134,905)	(67,626)	(69,967)	(73,627)	(73,127)
<i>Net Change in Total Pension Liability</i>	(2,424)	269,262	(3,580)	241,345	108,764
Total Pension Liability, Beginning	<u>2,385,692</u>	<u>2,116,430</u>	<u>2,120,010</u>	<u>1,878,665</u>	<u>1,769,901</u>
Total Pension Liability, Ending	2,383,268	2,385,692	2,116,430	2,120,010	1,878,665
Plan Fiduciary Net Position					
Contributions - employer	43,212	47,885	28,420	34,732	38,202
Pension Plan Net Investment Income	205,321	321,533	281,993	(4,958)	46,237
Benefit Payments	(134,905)	(67,626)	(69,967)	(73,627)	(73,127)
Pension Plan Administrative Expense	(5,793)	(4,182)	(3,792)	(3,616)	(4,008)
Other (Net Transfer)	(885)	7,297	(22,822)	25,469	31,350
<i>Net Change in Plan Fiduciary Net Position</i>	106,950	304,907	213,832	(22,000)	38,654
Plan Fiduciary Net Position, Beginning	<u>2,950,134</u>	<u>2,645,227</u>	<u>2,431,395</u>	<u>2,453,395</u>	<u>2,414,741</u>
Plan Fiduciary Net Position, Ending	<u>3,057,084</u>	<u>2,950,134</u>	<u>2,645,227</u>	<u>2,431,395</u>	<u>2,453,395</u>
Net Pension (Asset)	<u>\$ (673,816)</u>	<u>\$ (564,442)</u>	<u>\$ (528,797)</u>	<u>\$ (311,385)</u>	<u>\$ (574,730)</u>
Plan fiduciary net position as a percentage of the total pension liability	128.27%	123.66%	124.99%	114.69%	130.59%
Covered employee payroll	\$ 556,596	\$ 650,926	\$ 549,692	\$ 660,469	\$ 701,548
Net pension asset as a percentage of covered employee payroll	(121.06)%	(86.71)%	(96.20)%	(47.15)%	(81.92)%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Bowling Green

Schedule of Contributions

Year Ended September 30, 2019

Missouri Local Government Employees Retirement System (LAGERS)

Year Ending September 30,	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2010	\$ 2,358	\$ 2,358	\$ -	\$ 589,591	0.40%
2011	31,877	9,813	(22,064)	700,918	1.40%
2012	37,419	16,212	(21,207)	675,522	2.40%
2013	49,769	22,226	(27,543)	653,709	3.40%
2014	51,645	31,212	(20,433)	709,363	4.40%
2015	49,571	39,182	(10,389)	725,603	5.40%
2016	33,425	33,425	-	636,410	5.25%
2017	27,859	27,859	-	587,664	4.74%
2018	55,105	55,105	-	652,723	8.44%
2019	37,530	37,530	-	578,290	6.49%

See accompanying notes to the Schedule of Contributions.

City of Bowling Green

Notes to the Schedule of Contributions

Year Ended September 30, 2019

Valuation Date: February 28, 2019

Notes: The roll-forward of total pension liability from February 28, 2019, to June 30, 2019, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal and Modified Terminal Funding

Amortization Method: A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period, or (ii) 15 years.

Remaining Amortization Period: Multiple bases from 15 to 18 years for the General and Police divisions

Asset Valuation Method: 5-Year smoothed market; 20% corridor

Inflation: 3.25% wage inflation; 2.50% price inflation

Salary Increases: 3.25% to 6.55% including wage inflation

Investment Rate of Return: 7.25%, net of investment expenses

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition

Mortality: The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2018. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information: None

City of Bowling Green

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem taxes	\$ 247,236	\$ 247,236	\$ 255,158	\$ 7,922
City sales tax	875,000	875,000	952,341	77,341
Transportation sales tax	420,000	420,000	453,349	33,349
Financial institution tax	3,000	3,000	28	(2,972)
Railroad and utility tax	30,000	30,000	31,771	1,771
Surtax	4,400	4,400	1,241	(3,159)
Utility franchise tax	330,000	330,000	313,700	(16,300)
Motor vehicle tax	214,000	214,000	216,613	2,613
Payment in lieu of taxes	200,000	200,000	200,000	-
Lodging tax	60,000	60,000	58,590	(1,410)
Cigarette tax	20,000	20,000	18,248	(1,752)
	<u>2,403,636</u>	<u>2,403,636</u>	<u>2,501,039</u>	<u>97,403</u>
Licenses and Permits				
Occupational licenses	12,000	12,000	12,602	602
Building permits	5,200	5,200	13,102	7,902
Animal license and fees	500	500	550	50
	<u>17,700</u>	<u>17,700</u>	<u>26,254</u>	<u>8,554</u>
Intergovernmental Revenues				
Police grants	10,000	10,000	7,783	(2,217)
Street grants	37,000	37,000	6,400	(30,600)
	<u>47,000</u>	<u>47,000</u>	<u>14,183</u>	<u>(32,817)</u>
Charges for Services				
Printing	-	-	275	275
Airport fuel	21,000	21,000	25,594	4,594
Trash billing	160,000	160,000	5,907	(154,093)
	<u>181,000</u>	<u>181,000</u>	<u>31,776</u>	<u>(149,224)</u>
Fines and Forfeitures				
City court fines	35,000	35,000	31,668	(3,332)
Miscellaneous				
Rents and royalties	33,800	33,800	37,188	3,388
Interest	8,000	8,000	11,304	3,304
Other	55,701	55,701	25,070	(30,631)
	<u>97,501</u>	<u>97,501</u>	<u>73,562</u>	<u>(23,939)</u>
Total Revenues	<u>2,781,837</u>	<u>2,781,837</u>	<u>2,678,482</u>	<u>(103,355)</u>

City of Bowling Green

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current				
Administrative	525,333	525,333	313,598	211,735
Public safety	961,500	961,500	840,841	120,659
Fire	89,510	89,510	76,780	12,730
Community center	19,646	19,646	14,431	5,215
Airport	53,686	53,686	51,162	2,524
Street	588,976	588,976	503,737	85,239
Planning and zoning	78,376	78,376	67,953	10,423
Other	3,900	3,900	4,350	(450)
Debt Service				
Principal, interest and fees	460,910	460,910	460,766	144
Total Expenditures	2,781,837	2,781,837	2,333,618	448,219
<i>Excess of Revenues over Expenditures</i>	-	-	344,864	344,864
Fund Balance, October 1	1,796,842	1,796,842	1,796,842	-
Fund Balance, September 30	\$ 1,796,842	\$ 1,796,842	\$ 2,141,706	\$ -

City of Bowling Green

Budgetary Comparison Schedule – Cemetery Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem taxes and penalties	\$ 38,100	\$ 38,100	\$ 39,340	\$ 1,240
Financial institution tax	500	500	5	(495)
Railroad and utility tax	5,000	5,000	5,139	139
Surtax	700	700	152	(548)
	44,300	44,300	44,636	336
Charges for services				
Sale of lots	4,000	4,000	3,000	(1,000)
Miscellaneous				
Interest	600	600	810	210
	600	600	810	210
Total Revenues	48,900	48,900	48,446	(454)
Expenditures				
Cemetery	48,900	48,900	41,505	7,395
Total Expenditures	48,900	48,900	41,505	7,395
 <i>Excess of Revenues over Expenditures</i>	 -	 -	 6,941	 6,941
Fund Balance, October 1	156,914	156,914	156,914	-
Fund Balance, September 30	\$ 156,914	\$ 156,914	\$ 163,855	\$ 6,941

City of Bowling Green

Budgetary Comparison Schedule – Park Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Sales taxes	\$ 210,000	\$ 210,000	\$ 226,674	\$ 16,674
Charges for Services				
Park rental	1,200	1,200	1,875	675
Park programs	5,000	5,000	5,376	376
Pool admissions	-	-	8,265	8,265
Concessions	-	-	1,994	1,994
	6,200	6,200	17,510	11,310
Miscellaneous				
Interest	2,800	2,800	3,445	645
Other	-	-	985	985
	2,800	2,800	4,430	1,630
Total Revenues	219,000	219,000	248,614	29,614
Expenditures				
Current				
Park	137,250	137,250	84,920	52,330
Pool	54,800	54,800	74,412	(19,612)
Debt Service				
Principal, interest and fees	26,950	26,950	26,901	49
Total Expenditures	219,000	219,000	186,233	32,767
<i>Excess of Revenues over Expenditures</i>	-	-	62,381	62,381
Fund Balance, October 1	371,957	371,957	371,957	-
Fund Balance, September 30	\$ 371,957	\$ 371,957	\$ 434,338	\$ 62,381

City of Bowling Green

Budgetary Comparison Schedule – Library Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem taxes and penalties	\$ 76,369	\$ 76,369	\$ 78,762	\$ 2,393
Financial institution tax	1,050	1,050	9	(1,041)
Railroad and utility tax	10,000	10,000	9,812	(188)
Surtax	1,400	1,400	290	(1,110)
Other taxes	1,587	1,587	1,599	12
	90,406	90,406	90,472	66
Intergovernmental Revenues				
State grants	2,027	2,027	2,118	91
Charges for Services				
Fines, fees and memberships	5,000	5,000	4,448	(552)
Miscellaneous				
Donations	10,000	10,000	1,445	(8,555)
Interest	250	250	293	43
Other	300	300	486	186
	10,550	10,550	2,224	(8,326)
Total Revenues	107,983	107,983	99,262	(8,721)
Expenditures				
Current				
Library	101,509	101,509	95,169	6,340
Debt Service				
Principal, interest and fees	6,474	6,474	6,465	9
Total Expenditures	107,983	107,983	101,634	6,349
<i>(Deficit) of Revenues over Expenditures</i>	-	-	(2,372)	(2,372)
Fund Balance, October 1	49,930	49,930	49,930	-
Fund Balance, September 30	\$ 49,930	\$ 49,930	\$ 47,558	\$ (2,372)

City of Bowling Green

Budgetary Comparison Schedule – Street CIP Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Sales taxes	\$ 415,000	\$ 415,000	\$ 453,330	\$ 38,330
Miscellaneous				
Interest	800	800	1,514	714
Other	-	-	70	70
	800	800	1,584	784
Total Revenues	415,800	415,800	454,914	39,114
Expenditures				
Current				
Street	129,532	129,532	79,363	50,169
Debt Service				
Principal, interest and fees	286,268	286,268	286,476	(208)
Total Expenditures	415,800	415,800	365,839	49,961
<i>Excess of Revenues over Expenditures</i>	-	-	89,075	89,075
Fund Balance, October 1	387,162	387,162	387,162	-
Fund Balance, September 30	\$ 387,162	\$ 387,162	\$ 476,237	\$ 89,075

City of Bowling Green

Notes to the Budgetary Comparison Schedules

Year Ended September 30, 2019

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to October 1, ordinances are passed by the Board, which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of Board of Aldermen.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by Board of Aldermen on approved budget adjustment forms.

Other Reporting Requirements



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Board of Aldermen
City of Bowling Green
Bowling Green, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Bowling Green, Missouri, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Bowling Green, Missouri's basic financial statements, and have issued our report thereon, dated January 24, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses, as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City of Bowling Green, Missouri's Response to Finding

The City's response to the finding identified in our audit, described in the accompanying Schedule of Findings and Responses, was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 24, 2020

City of Bowling Green

Schedule of Findings and Responses

Year Ended September 30, 2019

Material Weakness

2019-001 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.