

City of Bowling Green, Kentucky

Single Audit Reports Under
Uniform Guidance

Year Ended June 30, 2017

City of Bowling Green, Kentucky

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**Independent Auditor's 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 Bruce Wilkerson, Mayor
and the Board of Commissioners
City of Bowling Green
Bowling Green, Kentucky**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Kentucky as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Bowling Green, Kentucky's basic financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bowling Green, Kentucky'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, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bowling Green, Kentucky'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Independent Auditor's 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* (Continued)**

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lexington, Kentucky
November 13, 2017

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
Over Compliance in Accordance With the Uniform Guidance**

**Honorable Bruce Wilkerson, Mayor
and the Board of Commissioners**

City of Bowling Green
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Bowling Green, Kentucky's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City of Bowling Green, Kentucky's major federal programs for the year ended June 30, 2017. The City of Bowling Green, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bowling Green, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bowling Green, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Bowling Green, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance With the Uniform Guidance (Continued)

Report on Internal Control over Compliance

Management of the City of Bowling Green, Kentucky is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bowling Green, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bowling Green, Kentucky's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Kentucky, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Bowling Green, Kentucky's basic financial statements. We issued our report thereon dated November 13, 2017 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
Over Compliance in Accordance With the Uniform Guidance (Continued)**

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

Montgomery Chilton Madley, LLP

Lexington, Kentucky
November 13, 2017

Schedule of Expenditures of Federal Awards

City of Bowling Green, Kentucky
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-through to Sub-recipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Direct programs</i>				
Federal Transit Formula Grants	20.507	N/A	\$ 997,229	\$ 997,229
<i>Pass through Kentucky Transportation Department</i>				
Highway Planning and Construction - Transportation and Community Systems Preservation	20.205	TCSP-2003	-	11,112
Total U.S. Department of Transportation			<u>997,229</u>	<u>1,008,341</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Direct programs</i>				
Section 8 Administrative	14.871	N/A	-	398,814
Section 8 Housing Choice Vouchers	14.871	N/A	-	2,669,043
Total			-	3,067,857
Community Development Block Grants	14.218	N/A	150,685	429,122
Total U.S. Department of Housing and Urban Development			<u>150,685</u>	<u>3,496,979</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Pass through Kentucky Division of Homeland Security</i>				
Kentucky Office of Homeland Security	97.067	P02	-	25,717
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Direct programs</i>				
Justice Assistance Grants	16.738	N/A	-	27,741
Bulletproof Vest Program	16.607	N/A	-	15,350
Total			-	43,091
<i>Pass through Justice & Public Safety Cabinet</i>				
Crime Victim Assistance	16.575	VOCA-2015-Bowling Gr-00031	-	5,607
Total U.S. Department of Justice			-	<u>48,698</u>
<u>OFFICE OF NATIONAL DRUG CONTROL POLICY</u>				
<i>Office of National Drug Control Policy</i>				
<i>Pass through Appalachia HIDTA</i>				
Drug-Free Communities Support Program Grants	95.001	G12AP001A	-	26,873
Total Expenditures of Federal Awards			<u>\$ 1,147,914</u>	<u>\$ 4,606,608</u>

See accompanying independent auditor's report and notes to the schedule of expenditures of federal awards

City of Bowling Green, Kentucky
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note A - Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of the City of Bowling Green, Kentucky, under programs of the federal government for the year ended June 30, 2017 in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City of Bowling Green, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Government.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note C - In-direct Cost Rate

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

Schedule of Findings and Questioned Costs

City of Bowling Green, Kentucky
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

1. The auditor's report expresses unmodified opinions on the financial statements of the City of Bowling Green, Kentucky.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Bowling Green, Kentucky, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the City of Bowling Green, Kentucky expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Uniform Guidance 516(a).
7. The programs tested as major programs included:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
20.507	Federal Transit Formula Grants

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The City of Bowling Green, Kentucky did qualify as a low-risk auditee.

Section II - Financial Statement of Findings

No matters were reported.

Section III - Major Federal Award Findings and Questioned Costs

No matters were reported.

**City of Bowling Green, Kentucky
Schedule of Prior Year Audit Findings
Year Ended June 30, 2017**

No matters were reported.