

City of Bowling Green

Single Audit Reports Under
OMB Circular A-133

For the year ended June 30, 2011

City of Bowling Green

Table of Contents
Year Ended June 30, 2011

	Pages
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A – 133</i>	3-4
Schedule of Expenditures of Federal Awards.....	6-7
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs.....	10-11
Schedule of Prior Year Audit Findings	12



**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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the City of Bowling Green, Kentucky (the Government), as of and for the year ended June 30, 2011, which collectively comprise the Government's basic financial statements, and have issued our report thereon dated December 12, 2011. Our report includes a reference to other auditors. 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 of America. Other auditors audited the financial statements of the Bowling Green Municipal Utilities and the Policemen and Firemen's Retirement Fund, as described in our report on the Government's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting as a basis for designing our auditing procedures 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 Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government'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*.

We noted certain other matters that we reported to management in a separate letter dated December 12, 2011.

This report is intended solely for the information and use of the Mayor, Board of Commissioners, City management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mountjoy Chilton Medley LLP". The signature is written in a cursive, flowing style.

December 12, 2011
Lexington, Kentucky



Independent Auditor's Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Honorable Bruce Wilkerson, Mayor
and the Board of Commissioners
City of Bowling Green

Compliance

We have audited the City of Bowling Green (the Government)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Government's major federal programs for the year ended June 30, 2011. The Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Government's management. Our responsibility is to express an opinion on the Government's compliance based on our audit.

The Government's basic financial statements include the operations of the Bowling Green Municipal Utilities Water-Sewer Division, which received \$1,534,341 in federal awards which is not included in the schedule during the year ended June 30, 2011. Our audit, described below, did not include the operations of the Bowling Green Municipal Utilities Water-Sewer Division because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Government'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. Our audit does not provide a legal determination of the Government's compliance with those requirements.

In our opinion, the Government complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the Government is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Government'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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, as well as the fiduciary funds, of the Government as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing statements generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, Board of Commissioners, City management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mountjoy Chilton Medley LLP".

December 12, 2011
Lexington, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF BOWLING GREEN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2011

	CFDA Number	Pass Through Number	Expenditures
<u>U.S. DEPARTMENT OF ENERGY</u>			
<i>Direct programs</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	N/A	\$ 256,802
<u>U.S. DEPARTMENT OF INTERIOR</u>			
<i>Direct programs</i>			
Save America's Treasures	15.929	N/A	60,263
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Direct programs</i>			
Federal Transit Formula Grants	20.509	G173907Z	792,960
ARRA - Federal Transit Formula Grants	20.509	G173907Z	32,370
Total	20.509		<u>825,330</u>
<i>Pass through Kentucky Department of Transportation</i>			
Highway Planning and Construction - Transportation and Community Systems Preservation	20.205	N/A	173,013
Highway Planning and Construction - Linking Schools and Commerce	20.205	P02-628-0700012517	52,833
Total	20.205		<u>225,846</u>
Total U.S. Department of Transportation			1,051,176
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Direct programs</i>			
Section 8 Housing Choice Vouchers	14.871	N/A	265,459
Section 8 Housing Choice Vouchers	14.871	N/A	2,718,497
Total	14.871		<u>2,983,956</u>
<i>Entitlement Grants Cluster</i>			
ARRA - Community Development Block Grant/Entitlement Grants (CDBG-R)	14.253	N/A	112,037
Community Development Block Grants/Entitlement Grants YR 6 DCF	14.218	N/A	440,130
Total			<u>552,167</u>
Total U.S. Department of Housing and Urban Development			3,536,123
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Direct programs</i>			
Enterprise Community	10.772	N/A	19

CITY OF BOWLING GREEN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2011

U.S. DEPARTMENT OF HOMELAND SECURITY

Direct Programs

AFG - Radios	97.044	N/A	449,171
AFG - Wellness	97.044	N/A	55,830
Total	97.044		<u>505,001</u>

Pass through Kentucky Division of Homeland Security

FEMA KY Public Assistance Grant	97.036	PON2 09510000023741	99,982
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KY Office of Homeland Security	97.067	N/A	<u>105,900</u>
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Total U.S. Department of Homeland Security			710,883
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U.S. DEPARTMENT OF JUSTICE

Direct programs

Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	37,600
Bulletproof Vest Program	16.607	N/A	12,510
Total			<u>50,110</u>

Pass through Justice & Public Safety Cabinet

Crime Victim Assistance	16.575	VOCA-2009-Bowling-00009	<u>35,335</u>
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Total U.S. Department of Justice			85,445
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of National Drug Control Policy

Pass through Appalachia HIDTA

Drug-Free Communities Support Program Grants	93.276	G09AP0001A	16,377
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Total Expenditures of Federal Awards			<u>\$ 5,717,088</u>
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CITY OF BOWLING GREEN

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2011

1. General:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Bowling Green (Government). The Government's reporting is defined in Note 1 to the basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2. Basis of Presentation and Relationship to Basic Financial Statements:

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (*OMB*) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF BOWLING GREEN
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I-Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Bowling Green.
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, 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 expresses an unqualified opinion on all major federal programs.
6. No audit findings were required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
14.218 & 14.253	CDBG Cluster
97.044	Assistance to Firefighter's Grant
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City of Bowling Green did qualify as a low-risk auditee.

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CITY OF BOWLING GREEN

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2011

No matters were reported.