

City of Bowling Green

Single Audit Reports Under
OMB Circular A-133

For the year ended June 30, 2010

CITY OF BOWLING GREEN

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YEAR ENDED JUNE 30, 2009

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

Honorable Elaine Walker, 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 as well as the fiduciary funds which collectively comprise the City of Bowling Green's (the Government) basic financial statements as of and for the year ended June 30, 2010 and have issued our report thereon dated December 15, 2010. 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 would not necessarily identify all deficiencies in the internal control 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 their 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 15, 2010.

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.

Mountjoy Chilton Medley LLP

December 15, 2010
Lexington, Kentucky



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**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 Elaine Walker, Mayor
and the Board of Commissioners
City of Bowling Green

Compliance

We have audited the City of Bowling Green (the Government) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (*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, 2010. 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.

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, 2010.

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 in order to determine the auditing procedures for the purpose of expressing our opinion on 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 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 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 will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, 2010, and have issued our report thereon dated December 15, 2010, 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 OMB 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 other 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 black ink that reads "Mountjoy Chilton Medley LLP". The signature is written in a cursive, flowing style.

December 15, 2010
Lexington, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF BOWLING GREEN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

	CFDA Number	Pass Through Number	Disbursements
<u>U.S. DEPARTMENT OF ENERGY</u>			
<i>Direct programs</i>			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	N/A	\$ 122,191
<u>U.S. DEPARTMENT OF INTERIOR</u>			
<i>Direct programs</i>			
Save America's Treasures	15.929	N/A	1,255
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Direct programs</i>			
Federal Transit Formula Grants	20.507	N/A	1,371,306
ARRA - Federal Transit Formula Grants	20.507	N/A	1,095,475
Total	20.507		<u>2,466,781</u>
<i>Pass through Kentucky Department of Transportation</i>			
Highway Planning and Construction - Transportation and Community Systems Systems Preservation	20.205	N/A	304,482
Highway Planning and Construction - Linking Schools and Parks	20.205	P02-628-0600003062	4,640
Highway Planning and Construction - Linking Schools and Commerce	20.205	P02-628-0700012517	36,584
Total	20.205		<u>345,706</u>
State and Community Highway Safety	20.600	PT-07-12	<u>2,787</u>
Total U.S. Department of Transportation			2,815,274
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Direct programs</i>			
Section 8 Housing Choice Vouchers	14.871	N/A	227,342
Section 8 Housing Choice Vouchers	14.871	N/A	2,275,039
Total	14.871		<u>2,502,381</u>
<i>Entitlement Grants Cluster</i>			
ARRA - Community Development Block Grant/Entitlement Grants (CDBG-R)	14.253	N/A	38,903
Community Development Block Grants/Entitlement Grants YR 6 DCF	14.218	N/A	298,075
Community Development Block Grants/Entitlement Grants YR 5 DCF	14.218	N/A	219,344
Community Development Block Grants/Entitlement Grants YR 4 DCF	14.218	N/A	106,259
Total			<u>662,581</u>
<i>Pass through Kentucky Housing corporation</i>			
Home Investment Partnerships Program	14.239	FC06-0266-01	<u>146,780</u>
Total U.S. Department of Housing and Urban Development			3,311,742
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Direct programs</i>			
Enterprise Community	10.772	N/A	136,831
<u>U.S. DEPARTMENT OF AGRICULTURE FOREST SERVICE</u>			
<i>Pass through Kentucky Division of Forestry</i>			
Cooperative Forestry Assistance	10.664	07-DG-11083121-004	1,896

CITY OF BOWLING GREEN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

U.S. DEPARTMENT OF JUSTICE

Direct programs

Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	\$	280,279
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A		79,717
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A		120
Total	16.738			<u>79,837</u>
<i>Pass through Justice & Public Safety Cabinet</i>				
Crime Victim Assistance	16.575	VOCA-2009-Bowling-00009		<u>35,219</u>
Total U.S. Department of Justice				395,335

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		15,277
Total Expenditures of Federal Awards				<u><u>6,799,801</u></u>

CITY OF BOWLING GREEN

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2010

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, 2010

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>
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.804	Recovery Act – Edward Byrne Memorial Justice Assistance Grant Program
20.507	Federal Transit Formula Grants and ARRA – Federal Transit Formula Grants
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, 2010

No matters were reported.