

**Bowling Green Audit Committee**  
*Special Meeting*  
**December 15, 2010**

The Bowling Green Audit Committee convened in a special meeting at 10:00 a.m. on December 15, 2010 in the City Hall Commission Chamber. The meeting was called to order by Vice Chairman David McKillip. Members of the Committee present were: Audit Professionals Charles Hays and David McKillip, General Business members Jean Cherry (arrived at 10:10 a.m.) and James Martens, Commissioner Bruce Wilkerson and Ex-Officio member City Manager Kevin DeFebbo. Absent: none. Also present were Mountjoy Chilton Medley, LLP representatives Debbie Smith and Trish Featherston, Internal Auditor Deborah Jenkins, Chief Financial Officer Jeff Meisel, Comptroller Wilma Brown and Assistant City Clerk Ashley Jackson. There was a full quorum of the board present.

**Review and discuss the Comprehensive Annual Financial Report (CAFR) of the City of Bowling Green for the Fiscal Year Ending June 30, 2010 presented by Mountjoy Chilton Medley, LLP.**

The Committee requested a brief overview of the audit from Mountjoy Chilton Medley, LLP. Ms. Smith and Ms. Featherston provided a brief summary of the Management's Discussion and Analysis, financial statements, notes to financial statements, budgetary comparison schedules – major funds (general and special revenue) and pension schedules, non-major governmental funds and the statistical section, all of which was included in the Comprehensive Annual Financial Report (CAFR). Mr. DeFebbo announced that it was Debbie Smith's last presentation for the City of Bowling Green and he expressed his appreciation of her work. Furthermore, Mr. Hays asked Mountjoy Chilton Medley if they had found any control issues or suggestions and he further asked if the City of Bowling Green was up to standards. Ms. Smith commended the City of Bowling Green for its focus of segregation of duties and internal controls, and a special recognition to the Internal Auditor for her progress, but Ms. Smith did not see any control issues and believed the City of Bowling Green was on a positive track.

In addition, the management letter and recommended improvements were discussed. The management letter comments were as follows:

- Cemetery Investments – in prior years the Cemetery fund investments had been included with the fund cash and cash equivalents and the cost was considered to approximate fair market value. The funds are currently being invested in mutual funds and it no longer approximates to fair value and investments are maintained at cost as this was the basis for reporting to the state. It was Mountjoy Chilton and Medley's recommendation in future years to keep the investments separated on the general ledger and that unrealized gains and losses on these investments are recorded. The cost of the investments and the unrealized gains and losses could be recorded in separate accounts to allow for the cost basis to be easily identified for state reporting.
- Federal Expenditures – the schedule for federal expenditures report which was produced from the grants module in New World System (NWS) was the basis for the federal expenditures reporting in the CAFR. It was reported that in the current year, the report included grants that were not federally funded and therefore should not be included in the schedule. Additionally, during the audit when Mountjoy Chilton and Medley compared the schedule to the general ledger, there were accounts that should have been included in the schedule that were omitted. The addition of accounts to the

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schedule was a manual process and it was recommended that expenditures coded to federal expenditure general ledger accounts are reconciled to totals per the schedule of federal expenditures. Also, it was recommended that the City only add grants after verifying that the grant was federally funded and has a CFDA number.

- Information Technology Operational Controls – the disaster recovery plan was written but has yet to be tested and in order to adequately ensure timely restoration of key business processes and systems, it was recommended that the City test the disaster recovery plan annually.

After discussion concluded, motion was made by Mr. Hays and seconded by Mr. McKillip to approve **Resolution No. 2010 - 1 of the City of Bowling Green Audit Committee approving the Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2010, as prepared by Mountjoy and Bressler, LLP.** Resolution No. 2010 - 1 was approved by unanimous vote.

**The next quarterly meeting is scheduled at 3:30 p.m. on January 10, 2011.**

Assistant City Clerk Ashley Jackson announced the next quarterly meeting date.

**Adjournment.**

There being no other business to be conducted, at 11:45 a.m. Chair Ms. Cherry declared the meeting adjourned.

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Date Approved

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Jean Cherry, Chair

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Ashley Jackson, Assistant City Clerk