

MUNICIPAL ORDER NO. 2018 – 221

MUNICIPAL ORDER ACCEPTING THE CITY OF
BOWLING GREEN, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL
REPORT FOR THE PERIOD ENDED JUNE 30,
2018 AS PREPARED BY THE DEPARTMENT OF
FINANCE AND AUDITED BY MOUNTJOY
CHILTON MEDLEY CPAS & ADVISORS, LLP

WHEREAS, the City of Bowling Green, Kentucky contracts for an annual audit examination of its financial statements, funds, records and accounts in accordance with applicable Kentucky Revised Statutes; and,

WHEREAS, the firm of Mountjoy Chilton Medley CPAs & Advisors, LLP was retained to conduct said audit examinations in accordance with generally accepted auditing standards; and,

WHEREAS, the audit examinations have been completed and the auditor's opinion and notes have been included in the City's Comprehensive Annual Financial Report (CAFR); and,

WHEREAS, by Ordinance No. BG2006-41, the City of Bowling Green Audit Committee was created, which has among other duties, the duty to review the CAFR and provide recommendation for approval to the Board of Commissioners; and,

WHEREAS, at a special meeting on October 30, 2018, the Audit Committee reviewed the CAFR for Fiscal Year Ended June 30, 2018, as prepared by the Department of Finance and audited by Mountjoy Chilton Medley CPAs & Advisors, LLP; and,

WHEREAS, by Resolution No. 2018-1 of the Audit Committee, the Committee approved the CAFR and recommended approval of this Financial Report to the City of Bowling Green Board of Commissioners.

NOW, THEREFORE, BE IT ORDERED by the City of Bowling Green, Kentucky as follows:

1. The Comprehensive Annual Financial Report (CAFR) prepared for the period ended June 30, 2018 by the Department of Finance and audited by Mountjoy Chilton Medley CPAs & Advisors,

(Municipal Order No. 2018 – 221)

LLP, which was recommended for approval by the City of Bowling Green Audit Committee, is hereby accepted.

2. The Office of City Clerk and all other City officials are hereby authorized and directed to publish the Annual Audit pursuant to Kentucky Revised Statutes.

3. This Municipal Order shall be in full force and effect upon signature and recordation.

ADOPTED: November 20, 2018

APPROVED: Bruce Wilkerson
Mayor, Chairman of Board of Commissioners

ATTEST: Ashley Jackson
City Clerk

SPONSORED BY: Jeffery B. Meisel, City Manager, 11/09/2018, 4:00 p.m.



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bowling Green, Kentucky (the City) as of and for the year ended June 30, 2018, 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

The City's 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Policemen and Firefighters' Retirement Fund which reflects total assets of \$6,945,172 as of June 30, 2018, and total additions of \$583,269 for the year ended June 30, 2018. We also did not audit the financial statements of Bowling Green Municipal Utilities which represents all of the assets and the revenues as of and for the year ended June 30, 2018 of the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Policemen and Firefighters' Retirement Fund and Bowling Green Municipal Utilities is based solely on the reports of the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Kentucky
Indiana
Ohio

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Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bowling Green as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the City has implemented Governmental Accounting Standard Board (GASB) No. 75 during the year ended June 30, 2018. This standard requires measuring the other post-employment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the plan, and OPEB expense and including information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position within the financial statements. The cumulative effect of applying GASB No. 75 is presented as a restatement of beginning net position.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 22, budgetary comparison information on pages 81 through 83, pension and OPEB schedules on pages 84 through 90 and the Modified Approach for City Streets Infrastructure Capital Assets on pages 91 through 93 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 Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section on pages 1 through 9, combining and individual funds statements and schedules on pages 99 through 145, the statistical section on pages 146 through 173 and the Schedule of Expenditures of Federal Awards on page 179, as required by 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of the City's internal control over financial reporting and on 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 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 the City's internal control over financial reporting and compliance.

MLM CPAs & Advisors LLP

Lexington, Kentucky
October 30, 2018

**City of Bowling Green, Kentucky
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Real estate	\$ 9,200,000	\$ 9,200,000	\$ 9,280,768	\$ 80,768
Personal property	1,800,000	1,800,000	1,830,525	30,525
Insurance premium	1,800,000	1,800,000	1,905,149	105,149
Motor vehicle and boat	960,000	960,000	1,044,951	84,951
Payment in lieu of taxes	160,000	160,000	161,002	1,002
Franchise	1,005,000	1,005,000	1,166,185	161,185
Other taxes	16,000	16,000	16,151	151
Penalties and Interest	80,000	80,000	57,140	(22,860)
Total taxes	15,021,000	15,021,000	15,461,871	440,871
Licenses and permits				
Occupational:				
Employees' withholding	40,250,000	40,250,000	41,009,167	759,167
Net profits	8,795,000	8,795,000	8,915,833	120,833
Other fees	290,000	290,000	322,947	32,947
Special licenses	280,000	280,000	243,876	(36,124)
Permits	880,000	880,000	1,134,837	254,837
Total licenses and permits	50,495,000	50,495,000	51,626,660	1,131,660
Intergovernmental				
Federal grants	-	367,591	41,036	(326,555)
State grants	-	245,000	(27,350)	(272,350)
Local grants	52,000	54,500	54,362	(138)
Total intergovernmental	52,000	667,091	68,048	(599,043)
Charges for services				
School tax collection fees	210,000	210,000	252,935	42,935
Other general government fees	10,000	10,000	7,182	(2,818)
Public safety fees	64,000	87,123	77,453	(9,670)
Cemetery lot sales	96,000	96,000	113,786	17,786
Cemetery fees	152,000	152,000	152,272	272
Other	60,000	60,000	52,496	(7,504)
Total charges for services	592,000	615,123	656,124	41,001
Parks and recreation	2,080,320	2,080,320	1,995,776	(84,544)
Miscellaneous				
Investment income	311,830	311,830	62,294	(249,536)
ABC and parking violations fees	7,000	7,000	15,015	8,015
Contributions and donations	35,400	85,255	93,258	8,003
Judgements and settlements	23,500	23,500	21,133	(2,367)
Other	175,900	175,900	134,875	(41,025)
Total miscellaneous	553,630	603,485	326,575	(276,910)
Total revenues	\$ 68,793,950	\$ 69,482,019	\$ 70,135,054	\$ 653,035

See accompanying independent auditor's report.

**City of Bowling Green, Kentucky
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Legislative	\$ 157,288	\$ 156,432	\$ 155,654	\$ 778
Executive	1,098,301	1,207,684	1,067,210	140,474
Finance	1,502,591	1,401,166	1,364,027	37,139
Human resources	1,175,428	859,673	823,776	35,897
Law	397,688	509,976	396,419	113,557
Information technology	1,941,723	1,953,754	1,921,795	31,959
Administrative services	339,580	346,830	326,451	20,379
Total general government	<u>6,612,599</u>	<u>6,435,515</u>	<u>6,055,332</u>	<u>380,183</u>
Public safety				
Police	14,236,559	13,453,033	13,237,103	215,930
Fire	12,166,565	12,310,814	12,294,866	15,948
Total public safety	<u>26,403,124</u>	<u>25,763,847</u>	<u>25,531,969</u>	<u>231,878</u>
Public works				
Public works administration	1,309,045	1,523,054	1,342,771	180,283
Highway and streets	2,945,744	2,801,399	2,692,498	108,901
Building and plant	2,608,568	2,719,668	2,404,393	315,275
Environmental Compliance	365,096	828,764	355,404	473,360
Transportation	342,560	417,880	417,880	-
Total public works	<u>7,571,013</u>	<u>8,290,765</u>	<u>7,212,946</u>	<u>1,077,819</u>
Parks and recreation				
Parks	2,901,381	2,668,866	2,492,381	176,505
Recreation	1,357,021	1,358,424	1,220,790	137,634
Athletics	569,807	518,783	442,683	76,100
Community centers	1,044,059	963,128	880,462	82,666
Golf Courses	1,661,029	1,661,880	1,381,516	280,364
Other parks	1,370,872	1,319,742	1,258,533	61,209
Total parks and recreation	<u>8,904,169</u>	<u>8,490,843</u>	<u>7,676,365</u>	<u>814,478</u>
Neighborhood & Community Services	<u>2,123,324</u>	<u>2,424,978</u>	<u>2,096,923</u>	<u>328,055</u>
Agency services				
Agency services	1,074,395	1,239,183	1,195,523	43,660
Intergovernmental	1,860,120	1,314,291	964,291	350,000
Total agency services	<u>2,934,515</u>	<u>2,553,474</u>	<u>2,159,814</u>	<u>393,660</u>
Total expenditures	<u>54,548,744</u>	<u>53,959,422</u>	<u>50,733,349</u>	<u>3,226,073</u>
Excess of revenues over expenditures	<u>14,245,206</u>	<u>15,522,597</u>	<u>19,401,705</u>	<u>3,879,108</u>
Other financing sources (uses)				
Transfers in	598,050	598,050	568,923	(29,127)
Transfers out	(14,963,256)	(17,885,580)	(17,878,716)	6,864
Proceeds from sale of capital assets	120,000	120,850	113,641	(7,209)
Total other financing sources (uses)	<u>(14,245,206)</u>	<u>(17,166,680)</u>	<u>(17,196,152)</u>	<u>(29,472)</u>
Net change in budgetary fund balances	-	(1,644,083)	2,205,553	3,849,636
Fund balances, beginning of year	<u>25,370,515</u>	<u>25,370,515</u>	<u>25,370,515</u>	-
Fund balances, end of year	<u>\$ 25,370,515</u>	<u>\$ 23,726,432</u>	<u>\$ 27,576,068</u>	<u>\$ 3,849,636</u>

See accompanying independent auditor's report.

City of Bowling Green, Kentucky
Budgetary Comparison Schedule
Debt Service Fund
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
Debt service				
Principal	\$ 4,163,900	\$ 4,164,709	\$ 4,119,543	\$ 45,166
Interest	900,100	899,291	886,101	13,190
Total expenditures	<u>5,064,000</u>	<u>5,064,000</u>	<u>5,005,644</u>	<u>58,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,064,000)</u>	<u>(5,064,000)</u>	<u>(5,005,644)</u>	<u>58,356</u>
Other financing sources (uses)				
Transfers in	5,064,000	5,064,000	5,005,644	(58,356)
Total other financing sources (uses)	<u>5,064,000</u>	<u>5,064,000</u>	<u>5,005,644</u>	<u>(58,356)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

City of Bowling Green, Kentucky
Budgetary Comparison Schedule
WKU Athletics Debt Service Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 2,816,500	\$ 2,816,500	\$ 2,816,155	\$ (345)
Total revenues	<u>2,816,500</u>	<u>2,816,500</u>	<u>2,816,155</u>	<u>(345)</u>
EXPENDITURES				
Debt service				
Principal	2,045,000	2,045,000	2,045,000	-
Interest	771,500	771,500	771,155	345
Total expenditures	<u>2,816,500</u>	<u>2,816,500</u>	<u>2,816,155</u>	<u>345</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

City of Bowling Green, Kentucky
 Budgetary Comparison Schedule
 ITA Bond Debt Service Fund
 Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Rent income	-	1,026,513	1,026,513	-
Miscellaneous	1,110,500	1,110,500	947,023	(163,477)
Total revenues	1,135,500	2,162,013	1,973,536	(188,477)
EXPENDITURES				
Current:				
Agency services	225,000	225,000	223,264	1,736
Debt service				
Principal	1,665,000	2,691,513	2,520,000	171,513
Interest	331,000	331,000	313,505	17,495
Total expenditures	2,221,000	3,247,513	3,056,769	190,744
Excess (deficiency) of revenues over (under) expenses	(1,085,500)	(1,085,500)	(1,083,233)	2,267
Other financing sources (uses)				
Transfers in	1,110,500	1,110,500	1,110,500	-
Total other financing sources (uses)	1,110,500	1,110,500	1,110,500	-
Net change in fund balances	25,000	25,000	27,267	2,267
Fund balances, beginning	1,595,428	1,595,428	1,595,428	-
Fund balances, ending	\$ 1,620,428	\$ 1,620,428	\$ 1,622,695	\$ 2,267

See accompanying independent auditor's report.