

Bowling Green Audit Committee
Special Meeting
December 9, 2013

The Bowling Green Audit Committee convened in a special meeting at 3:30 p.m. on December 9, 2013 in the City Hall Commission Chamber. The meeting was called to order by Chair Cristi Pruitt at 3:30 p.m. Members of the Committee present were: Audit Professionals Cristi Pruitt and David McKillip, General Business members Scott Gary and Tony Witty, Ex-Officio member City Manager Kevin DeFebbo and City Commissioner Joe Denning. Absent: none. Also present were Mountjoy Chilton Medley, LLP representatives Debbie Smith and Brad Smith, Internal Auditor Deborah Jenkins, Chief Financial Officer Jeff Meisel, Comptroller Wilma Brown, Senior Staff Accountant Erin Ballou, Staff Accountant Sean Weeks and Assistant City Clerk Ashley Jackson. There was a full quorum of the board present.

Approval of Minutes.

Chair Pruitt announced that the first item of business was to approve the minutes of the July 9, 2013 special meeting, which were mailed with the agenda to the members for their review prior to the meeting. Motion was made by Mr. Denning and seconded by Mr. McKillip to accept the minutes as written. The minutes were approved as written by unanimous vote.

Review and discuss the Comprehensive Annual Financial Report (CAFR) of the City of Bowling Green for the Fiscal Year Ending June 30, 2013 presented by Mountjoy Chilton Medley, LLP.

Ms. Jenkins introduced the Audit Committee members, Finance Department staff and Mountjoy Chilton Medley, LLP representatives Debbie Smith and Brad Smith. Mr. Smith provided a brief overview from the auditor's standpoint and he explained that the report was pending approval by the Committee. In addition, he described that this report provided opinions and the responsibilities of the City as well as the auditor. The Management's Discussion and Analysis was a review of how the year was overall and the budgetary data. Ms. Smith reviewed the financial statements, notes to financial statements, budgetary comparison schedules – major funds (general and special revenue) and pension schedules, non-major governmental funds and the Debt Service Fund as well as Capital Projects Fund, all of which was included in the Comprehensive Annual Financial Report (CAFR).

In addition, the financial highlights of the Management's Discussion and Analysis were reviewed and the following was briefly discussed:

- The City's assets exceeded liabilities at the close of the fiscal year by \$183.9 million (net position). This amount includes \$9.8 million of resources that are restricted to specific projects by laws, regulations or contractual agreements. A total of \$29.3 million of resources are unrestricted and are available to fund the City's outstanding obligations and future program.
- The City's total net position increased \$12.9 million this year. Net position of governmental activities increased \$11.7 million and net position of business-type activities increased by \$1.2 million.

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- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$51.4 million, an increase of \$1.4 million from the prior year. Of this amount, \$4.1 million in the General Fund was unassigned and available for spending. The City's General Fund minimum reserve policy is 20% of the adopted revenue budget, or \$10.5 million for FY13, and is reflected in the committed fund balance.
- The City's governmental activities total debt decreased by \$9.2 million due to the payment of principal on outstanding debt. Business type activity debt decreased by \$1.0 million due to the payment of principal on outstanding debt.

Mountjoy Chilton Medley, LLP reported that there were no disagreements with staff, no need for communications with other financial entities, no major issues or difficulties, and Ms. Smith further thanked the City staff for their assistance and cooperation. Furthermore, it was reported that there were two new notes added to the report this year due to the implementation of Governmental Accounting Standards Board (GASB) 63 & 65. Mr. Meisel emphasized that there was a significant cut in expenditures related to Golf since last year, which was driven by a strict analysis of expenses and continual monitoring, as well as restructuring of staff. Lastly, it was discussed that new standards would be forth coming in Fiscal Year 2015 that directly relates to the Police and Firefighter Retirement Fund Pension requirements and its unfunded liability status would begin appearing on the City's balance sheet. This would directly affect the numbers in the City's CAFR so it would be something to keep in mind for the future.

After discussion concluded, motion was made by Mr. Denning and seconded by Ms. Pruitt to approve **Resolution No. 2013 - 1 of the City of Bowling Green Audit Committee approving the Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2013, as prepared by Mountjoy Chilton Medley, LLP.** Resolution No. 2013 - 1 was approved by unanimous vote.

Discuss any questions pertaining to the RFP for external audit services contract.

Ms. Jenkins explained that this was a special meeting, and since she recently sent electronic copies of the Request for Proposal (RFP) for external audit services to all the committee members, she wanted to include this item if there were any questions or concerns. She also wanted to explain that the Audit Committee would be making the recommendation to the Board of Commissioners as to the best proposal for external audit services; the Committee shall review and evaluate the proposals at the next regular meeting (January 13th), unless a special call meeting was deemed necessary. The proposals are due by 10 a.m. January 8, 2014, which would fall on the Wednesday prior to the next Audit Committee meeting therefore she would get the agenda packet and copies of the proposals to all members that day. Ms. Jenkins remarked that there were two available ways to submit proposals, one was based on the current method, which included the auditor creating all the financial reports, or the second option was that the City Finance staff prepares the financial reports and the auditor reviews them. She stated that previously the City did not have the capability to do such financial reporting, but with the software update that was available, and would save on the auditors expenses. Ms. Jenkins was asked what the auditors fees were approximately and she stated that the cost was about \$80,000. It was further mentioned by Ms. Jenkins that the proposal included a revision to the renewal process, rather than coming before the Audit Committee each year for the acceptance of renewal, it shall consist of an automatic renewal for up to five (5) years, and language that allows the Committee to object to the renewal if there was unsatisfactory service. A question from Mr. Denning was asked related to increases in fees, and Ms. Jenkins confirmed that there would be annual increases, but those would be outlined in the initial proposal and would be included in the approval by the Audit Committee and Board of Commissioners. In concluding, it was clarified that an RFP was not a requirement by state

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statute as it was for professional services but the City chose to do this in order to allow for competitive proposals.

The next quarterly meeting is scheduled at 3:30 p.m. on January 13, 2014.

Internal Auditor Deborah Jenkins announced the next quarterly meeting date.

Adjournment.

There being no other business to be conducted, at 4:45 p.m. Chair Pruitt declared the meeting adjourned.

Date Approved

Cristi Pruitt, Chair

Ashley Jackson, Assistant City Clerk