Ellinger
Lane
Gorton
Kay
Farmer
Stinnett
Myers
Beard
Lawless
Blues

AGENDA
Budget & Finance Committee
March 20, 2012
1:00 P.M.

1.	**Monthly Budget Report**	( )
2.	**Hotel/Motel Tax** – Stinnett	(1-10)
3.	**FY 13 Budget Priorities** – Henson	(11)
4.	**FY 13 Mayor's Budget Hearings Update**	( )
5.	**CAFR Timetable**	(12-19)
6.	**Items Referred to Committee**	(20)

"Budget & Finance Committee, to which shall be referred matters relating to the Department of Finance and Administration and its divisions, and any related partner agencies, the urban county courts and constitutional officers, fiscal operations of the government, revenues and expenditures of the government, and organization changers which affect the fiscal operations of the government. Additionally, this committee shall review the final audit report and management letter of the accounting firm recommended by the Mayor and selected by the Council to conduct the annual financial audit of the Urban County Government and shall report its findings concerning the same to the Mayor and Council for appropriate action." Council Rules & Procedures, Section 2.102 (1)
Effective January 1, 2011. Adopted by Urban County Council October 14, 2010

Lexington-Fayette Urban County Government
DEPARTMENT OF LAW

Jim Gray
Mayor

Janet M. Graham
Commissioner

TO: Members of the Budget and Finance Committee
Paul Schoninger, Council Research Analyst

FROM: Department of Law

DATE: February 21, 2012

RE: Transient Room Tax

You have asked for an opinion regarding restrictions on the use of funds derived from "transient room taxes". Lexington's authority to assess transient room taxes is derived from state law. Lexington currently assesses two different transient room taxes, both of which are set at the maximum rate permitted by law.[1] Section 2-172 of the Code of Ordinances, Lexington-Fayette Urban County Government; KRS 91A.390(1); KRS 153.450.

Tourist and Convention Commission Tax

Lexington assesses the four percent (4%) maximum tax allowed by KRS 91A.390. Per the statute "[a] portion of the money collected from the imposition of this tax, as determined by the tax levying body, upon the advice and consent of the tourist and convention commission, may be used to finance the cost of acquisition, construction, operation, and maintenance of facilities useful in the attraction and promotion of tourist and convention business, including projects described in KRS 154.30-050(2)(a). The balance of the money collected from the imposition of this tax shall be used for the purposes set forth in KRS 91A.350. Proceeds of the tax shall not be used as a subsidy in any form to any hotel, motel, or restaurant, except as provided in KRS 154.30-050(2)(a)3.c." KRS 91A.390(3).[2]

The Lexington Convention and Visitors Bureau ("LCVB") is Lexington's tourist and convention commission referenced in the above statute, and its purposes are to promote and develop convention and tourist activities and facilities. KRS 91A.350.

[1] There is also statutory authority to implement an additional one percent (1%) transient tax to fund a Purchase of Development Rights Program. KRS 91A.390(5). However, the implementation of this tax should take place through a voter referendum process. KRS 67A.845.

[2] KRS 154.30-050 deals with "TIF" projects.

Although the Department of Law could find no case law interpreting the scope of legitimate expenditures of this tax, the statute is broadly written. If a facility was useful in attracting and promoting tourist and convention business a portion of the funds collected could be spent to acquire, construct, operate and maintain it as long as the LCVB consented to this use and it did not violate the subsidy restriction contained in the statute. This would appear to allow the expenditure of some of this money on any facility that is reasonably related to these purposes.

Convention Center Tax

In addition to the above, Lexington also assesses the two percent (2%) maximum tax allowable pursuant to KRS 153.450. By law, these funds must be "applied toward the retirement of bonds used to finance a nonprofit corporation which is created for the funding, construction, and management of a convention center in an urban-county, and to defray the operating costs of the nonprofit corporation." KRS 153.450.

Please contact me should you have any other questions related to this matter.

David J. Barberie
Managing Attorney

(via-email only)

cc: Richard Moloney, Chief Administrative Officer
Jamie Emmons, Chief of Staff
Geoff Reed, Senior Advisor to the Mayor
Jane Driskell, Commissioner of Finance
Janet M. Graham, Commissioner of Law
Bill O'Mara, Director of Revenue

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91A.390 Room tax -- Special transient room tax -- Authorization for additional tax by a county with a city of the first class, urban-county governments, and multicounty tourist and convention commissions -- Revenue bonds.

(1) The commission shall annually submit to the local governing body or bodies which established it a request for funds for the operation of the commission. The local governing body or bodies shall include the commission in the annual budget and shall provide funds for the operation of the commission by imposing a transient room tax, not to exceed three percent (3%) of the rent for every occupancy of a suite, room, or rooms, charged by all persons, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses. In addition to the three percent (3%), the local governing body may impose a special transient room tax not to exceed one percent (1%) for the sole purpose of meeting the operating expenses of a convention center. A transient room tax imposed by an urban-county government shall not exceed four percent (4%) of the rent for every occupancy of a suite, room, or rooms, charged by all persons, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses. Transient room taxes shall not apply to the rental or leasing of an apartment supplied by an individual or business that regularly holds itself out as exclusively providing apartments. Apartment means a room or set of rooms, in an apartment building, fitted especially with a kitchen and usually leased as a dwelling for a minimum period of thirty (30) days or more. The local governing body or bodies that have established a commission by joint or separate action shall enact an ordinance for the enforcement of the tax measure enacted pursuant to this section and the collection of the proceeds of this tax measure on a monthly basis.

(2) All moneys collected pursuant to this section and KRS 91A.400 shall be maintained in an account separate and unique from all other funds and revenues collected, and shall be considered tax revenue for the purposes of KRS 68.100 and KRS 92.330.

(3) A portion of the money collected from the imposition of this tax, as determined by the tax levying body, upon the advice and consent of the tourist and convention commission, may be used to finance the cost of acquisition, construction, operation, and maintenance of facilities useful in the attraction and promotion of tourist and convention business, including projects described in KRS 154.30-050(2)(a). The balance of the money collected from the imposition of this tax shall be used for the purposes set forth in KRS 91A.350. Proceeds of the tax shall not be used as a subsidy in any form to any hotel, motel, or restaurant, except as provided in KRS 154.30-050(2)(a)3.c. Money not expended by the commission during any fiscal year shall be used to make up a part of the commission's budget for its next fiscal year.

(4) A county with a city of the first class may impose an additional tax, not to exceed one and one-half percent (1.5%) of the room rent. This additional tax, if approved by the local governing body, shall be collected and administered in the same manner as the regular tax and shall be used for the purpose of funding additional promotion of tourist and convention business.

(5) An urban-county government may impose an additional tax, not to exceed one percent (1%) of the room rents included in this subsection. This additional tax shall be collected and administered in the same manner as the regular tax with the exception that this additional tax shall be used for the purpose of funding the purchase of development rights program provided for under KRS 67A.845.

(6) Local governing bodies which have formed multicounty tourist and convention commissions as provided by KRS 91A.350(3) may impose an additional tax, not to exceed one percent (1%) of the room rents. This additional tax, if approved by each governing body, shall be collected and administered in the same manner as the regular tax, with the exception that this additional tax shall be used for the purpose of funding regional efforts relating to the promotion of tourist and convention business and convention centers. In no event shall any revenues collected as provided for under KRS 91A.350(3) be utilized for the construction, renovation, maintenance, or additions to any convention center that is located outside the boundaries of the Commonwealth of Kentucky.

(7) The commission, with the approval of the tax levying body, may borrow money to pay its obligations that cannot be paid at maturity out of current revenue from the transient room tax, but shall not borrow a sum greater than can be repaid out of the revenue anticipated from the transient room tax during the year the money is borrowed. The commission may pledge its securities for the repayment of any sum borrowed.

(8) The fiscal court or legislative body of a consolidated local government or city establishing a commission pursuant to KRS 91A.350(1) or (2) and, in its own name, a commission established pursuant to of KRS 91A.350(1) is authorized and empowered to issue revenue bonds pursuant to KRS Chapter 58 for public projects. Bonds issued for the purposes of KRS 91A.350 to 91A.390, may be used to pay any cost for the acquisition of real estate, the construction of buildings and appurtenances, the preparation of plans and specifications, and legal and other services incidental to the project or to the issuance of the bonds. The payment of the bonds, with interest, may be secured by a pledge of and a first lien on all of the receipts and revenue derived, or to be derived, from the rental or operation of the property involved. Bond and interest obligations issued pursuant to this section shall not constitute an indebtedness of the county, consolidated local government, or city. All bonds sold under the authority of this section shall be subject to competitive bidding as provided by law, and shall bear interest at a rate not to exceed that established for bonds issued for public projects under KRS Chapter 58.

(9) A commission established pursuant to KRS 91A.350(3) is authorized and empowered to issue revenue bonds in its own name, payable solely from its income and revenue, pursuant to KRS Chapter 58 for revenue bonds for public projects. Bonds issued for the purposes of KRS 91A.350 to 91A.390, may be used to pay any cost for the acquisition of real estate, the construction of buildings and appurtenances, the preparation of plans and specifications, and legal and other services incidental to the project or to the issuance of the bonds. The payment of the bonds, with interest, may be secured by a pledge of and a first lien on all of the

receipts and revenue derived, or to be derived, from the rental or operation of the property involved. Bond and interest obligations issued pursuant to this section shall not constitute an indebtedness of the county. All bonds sold pursuant to this section shall be subject to competitive bidding as provided by law, and shall not bear interest at rates exceeding those for bonds issued for public projects under KRS Chapter 58.

Effective: July 15, 2008

History: Amended 2008 Ky. Acts ch. 178, sec. 26, effective July 15, 2008. -- Amended 2007 Ky. Acts ch. 95, sec. 27, effective March 23, 2007. -- Amended 2002 Ky. Acts ch. 167, sec. 1, effective July 15, 2002; and ch. 346, sec. 104, effective July 15, 2002. -- Amended 2000 Ky. Acts ch. 154, sec. 2, effective July 14, 2000; and ch. 344, sec. 5, effective July 14, 2000. -- Amended 1998 Ky. Acts ch. 372, sec. 8, effective July 15, 1998. -- Amended 1994 Ky. Acts ch. 505, sec. 1, effective July 15, 1994. -- Amended 1992 Ky. Acts ch. 56, sec. 3, effective July 14, 1992; and ch. 165, sec. 4, effective July 14, 1992. -- Amended 1990 Ky. Acts ch. 302, sec. 2, effective July 13, 1990. -- Amended 1986 Ky. Acts ch. 11, sec. 1, effective July 15, 1986. -- Amended 1974 Ky. Acts ch. 324, sec. 4. -- Amended 1970 Ky. Acts ch. 59, sec. 2. -- Created 1968 Ky. Acts ch. 138, sec. 3.

Formerly codified as KRS 83.350.

153.450 Levy of additional transient room tax by urban-county government.

(1) In addition to the four percent (4%) transient room tax authorized by KRS 91A.390 an urban-county government may levy an additional transient room tax not to exceed two percent (2%) of the rent for every occupancy of a suite, room, or rooms, charged by all persons, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations' businesses.

(2) All additional moneys collected from the tax authorized by subsection (1) of this section shall be applied toward the retirement of bonds used to finance a nonprofit corporation which is created for the funding, construction, and management of a convention center in an urban-county, and to defray the operating costs of the nonprofit corporation.

Effective: July 14, 2000

History: Amended 2000 Ky. Acts ch. 158, sec. 1, effective July 14, 2000. -- Amended 1986 Ky. Acts ch. 11, sec. 2, effective July 15, 1986. -- Created 1980 Ky. Acts ch. 382, sec. 7, effective April 9, 1980.

ARTICLE XII. - TOURIST AND CONVENTION COMMISSION [15]

Sec. 2-167. - Reserved.

Editor's note—

Section 2-167, creating a recreational, tourist and convention commission providing for its membership, and levying transient room tax, derived from Ord. No. 66-80, § 1, adopted June 12, 1980, was repealed by § 2 of Ord. No. 134-82, adopted July 29, 1982. See § 2-170 et seq.

Secs. 2-168, 2-169. - Reserved.

Sec. 2-170. - Created.

(1) For the purpose of promoting recreational, convention and tourist activity in the county, there is hereby established a recreational, tourist and convention commission to be known and designated as the "Lexington-Fayette Urban County Tourist and Convention Commission," hereinafter called the commission.

(2) The commission shall be authorized to conduct and transact business in the assumed name of the "Greater Lexington Convention and Visitors Bureau."

(Ord. No. 134-82, § 1, 7-29-82; Ord. No. 221-83, § 1, 11-17-83)

State law reference— Membership of tourist and convention commission in urban county government, KRS 91A.372.

Sec. 2-171. - Membership.

(a) The commission established pursuant to section 2-170 shall be composed of nine (9) members appointed by the mayor of the urban county government in the following manner:

  (1) Three (3) commissioners from a list submitted by the Greater Lexington Hotel and Motel Association.

  (2) One (1) commissioner from a list submitted by the Bluegrass Restaurant Association.

  (3) One (1) commissioner from a list submitted by the Greater Lexington Chamber of Commerce.

  (4) Four (4) commissioners who shall be residents of Fayette County.

(b) Vacancies shall be filled in the same manner that original appointments are made.

(c) The commissioners shall be appointed for terms of three (3) years, provided, that in making the initial appointments, the mayor shall appoint three (3) commissioners for a term of three (3) years, three (3) commissioners for a term of two (2) years and three (3) commissioners for a term of one (1) year.

(d) The commission shall elect from its membership a chairman and a treasurer, and may employ such personnel and make such contracts as are necessary to effectively carry out the purpose of KRS 91A.350 to 91A.390. Such contracts may include but shall not be limited to the procurement of promotional services, advertising services and other services and materials relating to the promotion of tourist and convention business; provided, contracts of the type enumerated shall be made only with persons, organizations and firms with experience and qualifications for providing promotional services and materials, such as event coordinators, advertising firms, chambers of commerce, publishers and printers.

(e) The books of the commission shall be audited by an independent auditor who shall make a report to the commission, to the organizations submitting names from which commission members are selected, and to the mayor.

(*Ord. No. 134-82, § 1, 7-29-82*)

Sec. 2-172. - Transient room tax imposed.

(a) Pursuant to KRS 91A.390, there is hereby imposed a transient room tax at the rate of four (4) percent of the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like or similar persons, groups or organizations doing business as motor courts, motels, hotels, inns or like or similar accommodations businesses. Provision shall be made by the commissioner of finance for the collection of the tax and the enforcement of the tax measure enacted.

(b) Pursuant to KRS 153.450, in addition to the four (4) percent transient room tax authorized by subsection (a), there is hereby imposed additional transient room tax at the rate of two (2) percent of the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like or similar persons, groups or organizations doing business as motor courts, motels, hotels, inns or like or similar accommodations businesses. All additional moneys collected from the tax authorized by this subsection shall be applied toward the retirement of bonds used to finance the Lexington Center Corporation and to defray the operating costs of the Lexington Center Corporation.

(c) The transient room taxes established in this section shall not apply to the rental or leasing of an apartment supplied by an individual or business that regularly holds itself out as exclusively providing apartments. Apartment means a room or set of rooms, in an apartment building, fitted especially with a kitchen and usually leased as a dwelling for a minimum period of thirty (30) days or more.

(d) Payment of the transient room tax shall be made to the urban county government on or before the twentieth day of the month following the month of collection.

(e) Any person who is required to pay the transient room taxes pursuant to this section and fails to pay said taxes by the date they become due may be assessed a penalty of four and one-half (4½) percent of the amount of the tax unpaid for each calendar month or fraction of a calendar month, and, in addition, shall be assessed interest at the rate of one (1) percent of the amount of the tax unpaid for each calendar month or fraction of a calendar month. Any partial payment paid and accepted shall be first applied as interest payments, then penalty payments, then transient room tax payments.

(f) The term "person" is defined for purposes of this section to mean every natural person, fiduciary, partnership, association or corporation, resident or nonresident.

(g) Nothing in this section shall remove from the urban county government the right to collect any other tax or to collect a similar tax for any other purpose authorized by law.

(*Ord. No. 134-82, § 1, 7-29-82; Ord. No. 64-86, § 2, 5-1-86; Ord. No. 164-94, § 1, 8-25-94; Ord. No. 101-96, § 1, 6-27-96; Ord. No. 268-2000, § 1, 9-14-00*)

Secs. 2-173—2-177. - Reserved.

FOOTNOTE(S):

(15) ***Editor's note***— *Section 1 of Ord. No. 66-80, adopted June 12, 1980, amended and reenacted Ord. No. 67-51, inadvertently omitted from inclusion in the Code, as ch. 2, art. XI, § 2-150. Inasmuch as Ord. No. 94-79, § 1, adopted Apr. 19, 1979, added art. XI, §§ 2-150—2-156, the editor has redesignated the provisions of Ord. No. 66-80 as art. XII, § 2-167. In order to reflect the name of the commission created by § 2-170, the editor has deleted the word "Recreational" from the title of this article.* (Back)

(15) ***State Law reference***— *Authority to establish recreational, tourist and convention commission, KRS 91A.350; room tax, use of proceeds, KRS 91A.390.* (Back)

Transient Room Tax

- Current (Per KRS)
  - 4% of room rental – Lexington Convention and Visitors Bureau
  - 2% of room rental – Retirement of bonds for Lexington Center Corporation
- Available (Per KRS)
  - 1% of room rental – Fund PDR

Transient Room Tax – Revenues Collected

Calendar Year	Annual Total
2006	$6,848,920
2007	$7,579,884
2008	$7,552,208
2009	$6,899,306
2010	$8,712,528
2011	$7,499,549

Budget Priorities

ISSUE	#1 Rank	#2 Rank	#3 Rank	TOTAL
Resolve Pension Issues & Retiree Benefits	12	3	2	17
Examine Ways to Give Non-Bargaining Employees A Raise	0	0	4	4
Review Health Benefits/Retiree Costs	0	0	0	0
Infrastructure Needs (Roads, Garages, Sidewalks)	0	10	2	12
Commitment to City Parks	4	2	3	9
Understand "true" costs (Cost Accounting)	0	2	5	7

Ranking of Budget Priorities

1. **Resolve pension issues and retiree benefits**
2. **Infrastructure needs (roads, garages, sidewalks)**
3. **Commitment to city parks**
4. Understand "true" costs (Cost Accounting)
    - CM Lane expressed concern about LFUCG's current accounting system and stressed the need for good cost accounting. He has been working on implementing a system that provides the specific costs of services provided. He is an advocate for Activity Based Costing (ABC). He gave examples where this type of accounting would be helpful including but not limited to solid waste (revenue from commercial vs. residential), facilities costs (breakdown of expenses on each building), and fleet costs.
5. Examine ways to give non-bargaining employees a raise
6. Review health/Retiree costs

Policy Issues

- Address revenues
- Continuous improvement of program accounting systems
- Fiscal policy analysis and reform (Frankfort)
- Build respect and trust between LFUCG and the General Assembly
- Legislative Engagement
- Examine the flexibility of revenue within and among departments
- Identify other revenue opportunities
- Legislative agenda (Policies that affect long-term outcomes related to fiscal policy

Paul Schoninger

From: Paul Schoninger
Sent: Thursday, December 01, 2011 3:46 PM
To: Jane C Driskell; Richard Moloney
Subject: CAFR timetable

Please find attached section of the UCG Charter (8.08) re time table for the annual audit. The Charter indicates that it shall be completed no later than 4 months after the close of the fiscal year. For your information.

Paul S
3208

Sec. 8.08. - Independent Audit.

An annual independent audit of such accounts and other evidences of financial transactions of the Merged Government shall be performed as the Council may determine; provided that said audit shall be made by an accountant or accounting firm that does not have any pecuniary, personal or other interest, direct or indirect, in the fiscal affairs of the Merged Government or any of its offices, departments, agencies, boards and commissions. Said audit shall be completed not later than four (4) months after the close of the fiscal year, and shall be made public in a manner prescribed by the Council. In addition, the Council may, at any time, order an independent audit of any office, department, agency, board or commission of the Merged Government, provided that the Council gives adequate notice of its intent to do so.

LEXINGTON-FAYETTE GOVERNMENT

REQUEST FOR PROPOSAL

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VI. PROPOSAL REQUIREMENTS

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  2. Technical Quality
  3. Price
- C. Oral Presentations
- D. Final Selection
- E. Right to Reject Proposals

E. Computer Systems

The LFUCG uses the following hardware and software system:

PeopleSoft Version 8.9

F. Availability of Prior Audit Reports and Working Papers

Prior years' audit reports and management letters will be available at the preproposal conference. The LFUCG will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for proposal issued	May 23, 2011
Due date for proposals	June 6, 2011

B. Notification and Contract Dates

Final Selection to be approved by Council by July 12th, 2011.

C. Date Audit May Commence

The LFUCG will have all records ready for audit and all management personnel available to meet with the firm's personnel as of August 16, 2011. Preliminary fieldwork may begin after the contract date.

D. Schedule for the 2011 Fiscal Year Audit

The auditor should complete each of the following no later than the dates indicated.

1. Detailed Audit Plan

   The auditor shall provide LFUCG by August 16, 2011 both a detailed audit plan and a list of all schedules to be prepared by the LFUCG.

2. Fieldwork

   The auditor shall complete all fieldwork by October 18, 2011.

A similar time schedule will be developed for audits of future fiscal years if the LFUCG exercises its option for additional audits.

E. Date Final Report is Due

The finance department staff shall prepare draft financial statements, notes and all required supplementary schedules and statistical data by October 11, 2011. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Commissioner of Finance by October 18, 2011. The finance department staff will complete their review of the draft report as expeditiously as possible. It is not expected that this process should exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. It is anticipated that this process will be completed and the final report approved by November 3, 2011.

Fund 1101 General Services District — Department 122000 Citizens Advocate

	Current Budget Year	Continuation			New or Expanded Service		
	2 2012 Original	4 2013 Request	5 2013 Mayor's	6 2013 Council	7 2013 Request	8 2013 Mayor's	9 2013 Council
Adopted Budget Control Levels							
Personnel	86,658	44,650					
Operating	6,100	6,320					
Transfers							
Capital							
Total	92,758	50,970					

Budget Detail (Information Only)

Fund 1101 General Services District — Department 122001 Citizens' Advocate Administrat — Section 0001 Unallocated Subsection

Account	2012 Original	2013 Request	2013 Mayor's	2013 Council	2013 Request	2013 Mayor's	2013 Council
63111 Civil Service Salaries	17,831						
63122 Appointed Officials	43,384	30,000					
63411 Longevity	240						
63511 Pension Contributions	11,652	5,900					
63612 Health Insurance							
63615 BP-Life/Health/Dental/Vision	8,751	6,000					
63621 FICA	4,701	2,300					
63622 Unemployment Insurance	99	50					
63624 Medicare Expense		400					
71299 Prof Svc - Other	1,090	1,090					
73101 General Insurance		30					
73102 Property & Casualty		190					
74101 Required Certification/Trainii	1,000	1,000					
74102 Conferences and Other Trai							
74201 Business Travel	100	100					
75101 Operating Supplies and Exp	2,600	2,600					
75801 Equipment Under $5000	290	290					
76101 Repairs & Maintenance	400	400					
77801 Dues	480	480					
77802 Subscriptions & Publications	140	140					
Section 0001 Total	92,758	50,970					
Department 122001 Total	92,758	50,970					

June 6, 2011

Mr. Brian Marcum
Director of Central Purchasing
Lexington-Fayette Urban County Government
200 E. Main Street
Lexington, KY 40507

Dear Mr. Marcum:

We are honored to have the opportunity to continue our relationship with the Lexington-Fayette Urban County Government (the LFUCG) and to have the opportunity to perform audit services. This proposal profiles our firm, demonstrates our qualifications, experience, and reliability, and emphasizes our commitment to render the best professional services.

We have had the opportunity to work with you on preparing the Comprehensive Annual Financial Report (CAFR) for June 30, 2010 for the LFUCG. In performing this work we believe that we have demonstrated the quality of work that we provide and the knowledge of our staff. Simon Keemer and Travis Thomas, who both assisted you in preparing the CAFR, will be integral members of the audit team. Simon Keemer, Associate Director of Assurance Services and the lead auditor on a number of governmental entities, will be the owner in charge of the audit and Travis Thomas, Supervisory of Assurance Services, will be in the field every day supervising and leading our audit team. In addition Crissy Fiscus, Director of Assurance Services and the officer responsible for the quality of the Firm's governmental audit practice, will be the quality control reviewer for the audits. Pat Hagan, National Managing Director for State and Local Governments for McGladrey, our alliance firm, will be the Advisory Partner on the audits.

In addition to the quality service we have provided to the LFUCG in the past year and the outstanding team that we have assembled to serve you, other factors that differentiate Dean Dorton Allen Ford (DDAF) from our competitors are:

Experience serving Governmental entities – Government is one of our core industry teams that we serve. DDAF has had the privilege of working with a wide variety of Governmental entities across the Commonwealth for many years. We understand their unique issues and have developed specific audit plans and consulting processes to assist them. The size and breadth of our audit and tax practice has given us extensive and valuable experience. As issues arise during your engagement, it is likely that we have worked through them before with other clients.

The McGladrey Alliance – As a member of the McGladrey Alliance we have many advantages that no other firm can match. RSM McGladrey is the fifth largest accounting firm in the U.S. and they have formed an alliance that allows us to access the resources, experience and professional knowledge of a large national firm when we need it. Through the McGladrey Alliance we are able to include the McGladrey National Managing Director for State and Local Governments on our team as an advisor. Within this alliance we remain locally owned and independent, providing the level of service and immediacy of decision-making that only a locally owned, independent accounting firm can offer. However, it's nice to know that we have the expertise of a national public accounting firm sitting on our bench and able to help us if and when we need it.

The use of a high quality MBE with relevant experience – Our core team includes a staff member from the firm of TCBA Watson Rice. TCBA Watson Rice is comprised entirely of culturally diverse individuals and is one of the largest multi-cultural accounting firms in the country, employing a staff of 200 professionals with experience in a wide range of industries with an emphasis on Government. TCBA Watson Rice is a member of the McGladrey Alliance as well. As such they utilize the same audit software and quality controls as us which provides assurance that the quality of work will not be compromised.

We fully understand the scope of work that we are asked to perform. Following the completion of the audit of the fiscal year's financial statements, DDAF shall issue:

- A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
- A report on the internal control structure based on the auditors' understanding of the control structure and assessment of control risk.
- A report on compliance with applicable laws and regulations.
- An opinion on the schedule of expenditures of federal awards.
- A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Governmental Auditing Standards.
- A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133.
- A schedule of findings and questioned costs.
- Optional services for the annual compilation of Sheriff's Collection of Property Taxes.

As stated in RFP21-2011, DDAF will complete the detailed audit plan by August 16, 2011 and list all schedules to be prepared by LFUCG at that time. The audit fieldwork will be completed by October 18, 2011 and the final reports will be approved by November 3, 2011.

Mr. Brian Marcum
June 6, 2011
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As requested in RFP21-2011, we can make the following statements regarding this proposal:

- No cost or pricing information has been included in this technical proposal.
- In signing this proposal, Jim Tencza certifies that he is authorized to make decisions as to the prices quoted.
- DDAF's proposal shall remain valid until three months after the closing date of the receipt of the proposal.

Sincerely,

Dean Dorton Allen Ford, PLLC
Certified Public Accountants, Consultants, and Business Advisors

Jim Tencza, CPA

JT/dl

Budget & Finance Committee Referrals

Item	Referred By	Date Referred	Status
BOAR Fee Structure	General Government Link	8-11-11	Dec Meeting
Solid Waste Costs/Revenue/Tax Structure	Gorton	2-1-11	Waste Management Task Force
Cost Per Ton; Cost Per Customer			
Impact of User Fee Structure			
Local Vendor Preference*	Gorton	10-14-10	Nov 29 WS
Minority/Women Business Recruitment*	Stinnett	10-7-10	Procurement Task Force
Purchasing, Procurement & Professional* Service Selection Process	Crosbie	9-24-10	Procurement Task Force
Itinerant Merchant	Henson	4-17-11	Moved from PS to B&F Via VM Gorton 10-6-11
Activity Based Costing	Lane	1-16-12	
Street Light Fund	Lane	1-23-12	
Hotel/Motel Tax	**Stinnett**	**2-14-12**	

* Purchasing related items were also referred to Purchasing & Procurement Task Force

PAS 3-15-12