



## CITY COUNCIL AGENDA ITEM

Date: August 17, 2011

To: John Szerlag, City Manager

From: Thomas Darling, Darling and Associates

Subject: Financial Reporting to City Council

You have requested that I research the intervals and timing related to the delivery of financial information to the Mayor and City Council.

Based on my research and understanding, financial statements are delivered to the Mayor and City Council on a quarterly basis in accordance with standards and customs generally practiced by most municipalities.

The schedule is as follows:

Year End (April 1 – June 30)	Submitted in December as part of audit report
1 <sup>st</sup> Quarter (July 1 - September 30)	Submitted in November
2 <sup>nd</sup> Quarter (October 1 – December 31)	Submitted in January
3 <sup>rd</sup> Quarter (January 1 – March 31)	Submitted in May

In addition you also inquired about the length of time required to compile and report year end results. The additional time is due to several reasons of varying degrees. The most prominent is that the City runs the day to day financial operations on a cash basis. As such the interim reports for Quarters 1 through 3 are typically on the cash basis and reported only at the fund level. The year-end report is required by generally accepted accounting principles to be recorded at the modified accrual basis for the fund level and at the full accrual basis on a government wide level.

The mechanics of recording the financial data on two different basis of accounting can be very labor intensive and time consuming. This is coupled with the fact that unlike the private sector, we may not know the exact amount of some of our funding sources until two to three months after the year end. These include such examples as state shared revenues, local and major street state funding and law enforcement grants.

Based on these and other factors, the City (as with most Michigan municipalities) receives the annual financial report typically from mid November through the end of December.

With that said, I would suggest referring to the 2011 projected financial information contained in the 2011/2012 Budget report as the most current estimate. Any other submitted financial information would be considered incomplete and unreliable at this time.