



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

00-234

SYNOPSIS -

AGENDA:

MAY 22, 2000

As a follow-up to City Council receipt of the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1999, additional audit reports to be received and filed are:

SUBJECT:

LETTERS AND
REPORTS
REGARDING 1999
FINANCIAL AUDIT

- 1999 management letters for the City and the Municipal Housing Agency;
- Municipal Housing Agency financial statement (prepared on the Housing and Urban Development [HUD] basis of accounting); general purpose financial statements (prepared according to generally accepted accounting principles); independent auditors' reports for both; and
- City information needed to comply with Office of Management and Budget (OMB) Circular A-133 and the Federal Single Audit Act.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT -

SUBMITTED BY:

None.

KEVIN RIPER
FINANCE
DIRECTOR

RECOMMENDATION -

Receive and file.

BACKGROUND -

Attached are the various documents listed in the Synopsis above. Most are self-explanatory, but the two bound reports from Hayes & Associates, LLC merit further discussion. The report labeled "FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS" contains important textual information from the auditor on pages 34 through 42.

The financial information, on the other hand, was mandated to be prepared according to HUD accounting standards as noted in the Synopsis above and in the third paragraph of Hayes & Associates' letter to Council at the beginning of the document. HUD accounting was created to facilitate federal government reporting, particularly to Congress, but it differs significantly from generally accepted accounting principles (GAAP), which state and local governments use. Therefore, staff in the Municipal Housing Agency/Department of Housing Services and the Finance Department are relieved that 1999 was the last year for which HUD required financial statements on a HUD accounting basis. Beginning with the current fiscal year, 1999-2000, HUD will accept general purpose financial statements.

For 1999, those statements are in the thinner of the two bound reports from Hayes & Associates, LLC. These financial statements are prepared according to GAAP, and they show a distinct improvement in the financial status of the Municipal Housing Agency, compared with the report of a year ago. Page 5 of the bound report labeled "GENERAL PURPOSE FINANCIAL STATEMENTS" shows this most clearly. There are two key numbers on page 5: a \$1,426,657 prior period adjustment to restate upward the June 30, 1998 fund balance, and a \$1,545,247 excess of revenue over expenditures during the fiscal year ended June 30, 1999. Together, these two factors result in a June 30, 1999 fund balance of positive \$1,015,138, compared with a June 30, 1998 fund balance of negative \$1,956,766, as reported a year ago.

Attachments