

Reply to Common Council File No. 010641
From DOA-Budget and Management Division

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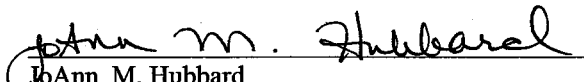
Common Council File 010641 is KPMG, LLP's report on the Comptroller's office internal controls and other operational manners. This report also outlines recommendations to the Comptroller's office on ways to improve internal controls and other operational manners. The following bullet points highlight important information provided in this report:

Reconciliation of Cash

- Bank account balances did not reconcile to the general ledger balances during 1999 and 2000.
- A \$80,000 adjustment was made to the general ledger after year-end to reconcile the cash balance to the general ledger at December 31, 2000.
- KPMG recommends that the City continue to allocate the necessary resources to facilitate monthly account reconciliations, because this assures internal control over the cash receipts and disbursement process is completed in a timely manner.

Changes in the Government Reporting Model due to Governmental Accounting Standards Board (GASB) issued June 1999.

- A comprehensive Management's Discussion and Analysis (MD&A) will be required. The MD&A should include financial statements that present an analysis of the government's financial performance for the year and its financial position at year-end.
- Government Wide Reporting- The City will be required to report financial operations and net assets at the fund perspective for governmental activities and prepare statements at the government-wide level. General government fixed assets, including infrastructure, and long term liabilities, including bonded debt, of the government will need to be reported with all other governmental assets and liabilities.
- Statement of Activities- Governments will now be required to use a "net program cost" format for the government-wide statements instead of a traditional operating statement. The "net program cost" format groups revenues and expenses by functional categories (such as general government, public safety, highways and streets, sanitation, economic development, culture, recreation etc.).
- Fund Level Reporting (specifically fund level financial statements) will continue to be required to provide fiscal accountability and reflect the flows and balances of current financial resources.
- Presentation of Budgetary Information- GASB 34 requires budgetary statements for the general fund and other governmental funds. The original adopted budget of the City, as well as, the final revised budget must be presented. Actual results on a budgetary basis will need to be reconciled to the GAAP (generally accepted accounting principles).
- The City should implement GASB 34 and all related changes by December 31, 2002. Also, KPMG, LLP recommends that the City foresees the financial cost of the required changes to its systems and processes and plans accordingly.


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