



CITY OF DETROIT
OFFICE OF THE CHIEF FINANCIAL OFFICER

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CFO DIRECTIVE
No. 2018-101-013

SUBJECT: Financial Reporting
ISSUANCE DATE: May 14, 2018
EFFECTIVE DATE: May 14, 2018

1. AUTHORITY

- 1.1. State of Michigan Public Act 279 of 1909, Section 117.4s(2), as amended by Public Act 182 of 2014, states the chief financial officer shall supervise all financial and budget activities of the city and coordinate the city's activities relating to budgets, financial plans, financial management, financial reporting, financial analysis, and compliance with the budget and financial plan of the city.
- 1.2. State of Michigan Public Act 2 of 1968, as amended, provides for the formulation and establishment of uniform charts of accounts and reports in local units of government and provides for annual financial reports from local units of government.

2. OBJECTIVES

- 2.1. To provide an accurate, complete, and timely system of recording and reporting the impact of transactions on the City's financial position for the benefit of elected officials, department directors and staff, and the public.
- 2.2. To ensure the City's accounting practices adhere to requirements established by applicable regulatory organizations.

3. PURPOSE

- 3.1. To establish the City's financial reporting policy.

4. SCOPE

- 4.1. This Directive applies to all of the City's accounting and financial reporting activities.

5. RESPONSIBILITIES

- 5.1. The Deputy CFO- Controller / Chief Accounting Officer shall be responsible for administration and oversight of this Directive.

6. POLICY

6.1. General

- 6.1.1. The City shall maintain clear, accurate, timely and understandable financial accounting and reporting that provides accountability and transparency for all components of the City's financial affairs and ensures compliance with applicable statutory and other regulatory requirements. The City's financial reports shall meet requirements established by applicable regulatory organizations.
- 6.1.2. The City shall maintain a system of financial recording, monitoring, internal controls, and reporting for all operations, funds, and agencies in order to provide an effective means of ensuring that overall City goals and objectives are met, as well as to provide citizens, residents, businesses, contractors, partners, investors,

and other stakeholders with accurate and timely financial information that communicates the City's economic condition and financial status.

6.2. External Financial Reporting

6.2.1. The City shall prepare a Comprehensive Annual Financial Report (CAFR), Single Audit Report, and other required reports periodically, which shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP) for local units of government, Governmental Accounting Standards Board (GASB), and all applicable laws and regulations.

6.2.1.1. The City shall, under the supervision of the Auditor General and in coordination with the Office of the Chief Financial Officer (OCFO), contract with a qualified firm of independent certified public accountants to perform an annual financial and compliance audit of the City's financial statements. The firm's opinion shall be presented in the City's CAFR and the Single Audit Report.

6.2.2. In order to ensure transparency and consistency, all other financial reports issued by the City shall use the best available data as the basis for reporting, which in most cases, should be consistent with audited information as presented in the CAFR. City financial reports shall identify the time period and source of the data.

6.2.3. The City's CAFR, Single Audit Report, and other financial reports, to the extent practicable, shall be posted on the City's public website.

6.3. Internal Financial Reporting

6.3.1. The Office of the Controller shall establish baseline internal reports to be used by OCFO Divisions, Departments, and Agencies. A comprehensive reporting package will be made available to all departments for review.

6.3.2. No less than monthly, the Office of Departmental Financial Services (ODFS) shall be responsible for the review of departments' financial reports to ensure completeness and accuracy of the information. Any corrections or adjustments shall be processed by the ODFS in a timely manner.

6.4. Other Guidance

6.4.1. Chart of Accounts

6.4.1.1. The Office of the Controller shall be responsible for establishing and maintaining a single citywide Chart of Accounts.

6.4.1.2. The Office of the Controller shall be responsible for ensuring that the Chart of Accounts appropriately provides for accurate and consistent recording of accounting transactions in accordance with GAAP for local units of government and that adequately supports uniformity in reporting financial information.

6.4.2. Accounting Practices

6.4.2.1. The City's accounting practices shall conform to GAAP for local units of government, as promulgated by the GASB and any other regulatory guidance and standards as may be applicable.

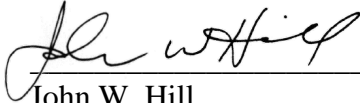
6.4.2.2. The Office of the Controller shall be responsible for establishing and maintaining a system of accurate, complete, and timely accounting of

financial information throughout the fiscal year, to which all Departments, Divisions, and Agencies shall adhere.

7. DEFINITIONS

- 7.1. *Accounts*: systematically-assigned numeric indicators that allow categorization and collection of business transactions and other events on the City's financial records. Individually, the accounts represent the various aspects or attributes of the City's financial system. Collectively the accounts, along with the transactions and balances, comprise a ledger or general ledger.
- 7.2. *Chart of Accounts*: a standardized citywide system of classifying financial information to fulfill the need for uniform, consistent terminology and classifications to be used for budgeting, accounting, and reporting the City's financial activities.
- 7.3. *External Financial Reporting*: the process of producing reports for use primarily by the external stakeholders such as Credit Institutions and State and Federal Governments. Examples include the CAFR, Single Audit, and F-65 reports, which are issued annually and in conformity with GAAP, GASB and / or other regulatory guidelines.
- 7.4. *Internal Financial Reporting*: the process of producing reports for use by the different levels of City management primarily for the purpose of planning (ex: preparing next year's budget) and control (ex: monitoring budgets and grant compliance with legal and contractual provisions). Because internal financial reporting is designed expressly to meet the needs of the City's management, the format and content depends entirely on what management finds most suitable.

APPROVED



John W. Hill

Chief Financial Officer, City of Detroit