



**THE HEART OF CUYAHOGA COUNTY**

**6800 Brecksville Road  
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***MEMORANDUM***

To: Mayor Gregory P. Kurtz  
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, January 19, 2024

Re: Finance Office and Related Topic Updates

**Initial 2023 Audit Meetings**

The Finance Office met with both audit teams in the last week.

Both are from the firm Zupka & Associates, but they are two separate, different audit teams and divisions.

The one team will assist the Finance Office in converting its 2023 financial records from a “Cash” basis to an “Accrual” basis.

The difference between the two basis’s are essentially as follows:

- Cash Basis – Generally recognizes revenue when it is received and expenses when they are paid.
- Accrual Basis – Generally recognizes revenue when it is earned and expenses when they are incurred.

## **Initial 2023 Audit Meetings – Continued**

The Finance Office is a strong proponent of making a lot of operating, capital allocation and debt service decisions based on Cash Flow and Cash Position. Bills, payroll, capital acquisitions, infrastructure projects and Principal/Interest obligations get paid with “Cash,” not with “Earnings.”

But rating agencies and investors in municipal debt offerings like to have the “Cash” statements supplemented with “Accrual” ones too. They feel that accrual based statements that line up revenue and expenses when they are earned and incurred respectfully, sometimes more accurately reflect an entity’s true financial position.

Statements created under both basis’s have their place, serve their respective purposes, and both work to complement each other. But for internal budgeting and planning purposes, the Finance Office sticks with the more understandable and more important (for us) cash-based statements.

The accrual-based statements that the one Zupka team assists with will form the basis for much of the 2023 Annual Comprehensive Annual Financial Report (ACFR) that is usually completed and submitted to the State Auditor’s Office by mid-year and finally released to the public by that office, in the later part of the year.

The other Zupka audit team will be pouring over the City’s 2023 books and such to review and assist them with formulating their opinion as to the accuracy and reliability of the City’s financial statements.

That team has submitted a two-page, single-spaced list of documents that the Finance Office will have to compile and submit to this Zupka team for them to perform their analysis on.

Nothing that the Finance Office hasn’t been through before, though!

One good dynamic this year is that this is the first year in three years where the same audit teams will be completing both “audits.” 2020’s, 2021’s and 2022’s work was completed by three different audit entities.