



Secretary of State
Oregon Audits Division

MUNICIPAL AUDIT NEWS

Filing checklist

- Financial Report
- Filing Fee
- Summary of Revenues and Expenditures
- Deficiency Communication *(if applicable)*
- Plan of Action
- Update address if needed

2021 FILING SEASON

The 2021 filing season is upon us; below are reminders of key upcoming submission dates for entities with a June 30 fiscal year end.

Reports in lieu of audit, including the filing fee, are due September 30, 2021; 90 days after fiscal year end.

Audit and review reports are due December 31, 2021; 180 days after fiscal year end. The Statement of Revenues and Expenditures and the filing fee are due no later than 30 days after submission of the financial report.

We look forward to being a resource and providing the information you need to ensure you meet reporting requirements.

2020 DESK REVIEW RESULTS

Each year, we sample financial reports filed by cities, counties, school districts, fire districts, and other special districts in Oregon. Historically, our goal has been to provide timely feedback to municipalities to enable them to make any necessary changes to their annual financial report and the underlying supporting documentation. We reviewed 63 audit reports filed for fiscal year 2020.

Audit reports are selected randomly. We strive to review reports from a variety of entity types and auditors, as well as review different entities from year to year.

Our review was targeted to certain elements of the financial report, such as major funds statements and key disclosures and included, but was not limited to, deposits, receivables, and liabilities. From the 63 audit reports we reviewed this year, we communicated over 130 individual findings to municipalities, of which included 22 violations of local budget law identified by the auditor. We also issued 30 letters to auditors addressing the auditor’s reports. Most of the issues identified have been communicated in past newsletters indicating similar weaknesses that span most entity types. Although we review a sample, many of the findings identified are widely applicable, as evidenced by the repeat nature of our findings.

The following highlights some of the findings noted in our review of 2020 reports:

1. Major Funds Statements
 - a. Header, subtotal, and line-item titles were not always complete and accurate. For example:
 - i. Capital assets were not separated by depreciable and non-depreciable.
 - ii. Subtotal titles did not include all categories.
 - iii. Use of inaccurate terminology (e.g., equity, fixed assets, unspendable fund balance, etc.).
 - b. Funds were not correctly presented as major or nonmajor;
 - c. Restricted net position was presented without identifying the categories of restriction or was not presented when restricted amounts were reported;
 - d. In the major governmental funds financial statements, expenditures were not presented by function (i.e., current, capital outlay, debt service, and intergovernmental); and
 - e. Descriptions of funds were presented as part of the basic financial statements when they should be presented as part of the notes to the financial statements.
2. Notes: Summary of Significant Accounting Policies (SSAP)
 - a. The SSAP was either missing required disclosures or not updated to reflect current and accurate information;
 - b. The SSAP incorrectly included balances or amounts that pertained to the reporting period rather than including only the policies and information that represented the entity's choices and judgments as to which accounting principles should be applied;
 - c. The SSAP disclosure related to capital assets was either missing the cost threshold, useful life threshold, or useful lives of major asset classes; and
 - d. The SSAP used the term "equity." Equity in the government context is rare and caution should be exercised when using that terminology to ensure it is appropriate.
3. Cash or Modified Cash Basis of Accounting.

We continue to see an increase in entities choosing to report using a cash or modified cash basis of accounting. Our 2018 newsletter discussed this reporting basis in greater detail. I encourage you to review that, along with the AICPA practice aid [*Applying Special Purpose Frameworks in State and Local Government Financial Statement*](#). Several modified cash basis financial reports we reviewed this year included proprietary fund reporting where the statement of cash flows was omitted. While there might be an interesting theoretical discussion surrounding the need for a statement of cash flows when presenting financial statements on a modified cash basis, the statement provides context that might not be clearly presented in other statements or notes, cash flows from investing, or non-capital financing activities.

We continue to see other common reporting errors that have been communicated in prior newsletters. You can access those communications on our [website](#) under Communications.

We also noted violations of local budget law in the preparation, adoption, or execution of the budget. Violations are communicated to the Oregon Department of Revenue pursuant to ORS 294.505.

FIDUCIARY ACTIVITIES

The Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities* is effective for reporting periods beginning on or after **December 15, 2019**. Here are some of the items we have noted of particular interest to municipalities.

1. Agency funds no longer exist. If an agency fund was presented last year, it will need to be re-evaluated to determine whether those activities still meet the definition of a fiduciary activity.

2. Custodial funds have been added and should report all fiduciary activities that do not qualify as one of the other fiduciary fund types (i.e., pension and OPEB trust funds, investment trust funds, or private purpose trust funds).
3. Agency funds reported only a balance sheet. The new custodial funds must also present an operating statement that reports additions (inflows of resources) and deductions (outflows of resources).

EXTENSION REQUESTS

The coronavirus pandemic, wildfires, and ice storms caused unprecedented disruptions during the 2020 filing season and we received and approved many extension requests. While we anticipate there will be fewer requests this year, it's likely there will still be more requests than in a typical year. Please keep the following in mind when requesting extensions:

1. Requests must include the name of the licensed municipal auditor engaged to perform the work and the reason the audit could not be completed on time (ORS 297.465(3)(a)).
2. The auditor and municipality must agree on the need to submit the request *and* the new due date requested. To prevent the need for multiple requests, we suggest setting an achievable due date at the outset.
3. Be specific about the cause for any delay; requests are approved for good cause and on a case-by-case basis.

Extension requests are submitted through our website at sos.oregon.gov/audits. If your government qualifies to file a self-prepared report in lieu of audit, those reports are due September 30 (90 days after fiscal year end) and extensions of time to file do not apply.

A PERSONAL NOTE

As the pandemic is experiencing a renewed surge, the Secretary of State has delayed reopening our offices. As such, I continue to work remotely along with most of our staff. We are still available to you when you have questions, concerns, and suggestions, or just need to brainstorm an idea or solution. Please reach out and know that we are here to assist you.

My phone has been quieter than usual. While I'd like to think it's because of our enhanced resources and new online offerings, I'm guessing things are quiet because our community is stretched thin with heads down hard at work. This is important work we're doing — and I see you out there doing it. Keep it up. Keep being kind. And reach out if needed, as I'm here to assist.



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Questions?

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