Filing checklist

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

**See page 2 for more information.*

2018 DESK REVIEW RESULTS

We reviewed a sample of 96 audit reports for fiscal year 2018. Each year, we sample financial reports from the nearly 1,800 cities, counties, school districts, fire districts, and other special districts in the state of Oregon. Our goal is to provide timely feedback so that municipalities can make any necessary changes to improve their annual financial report and the underlying supporting documentation.

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.

From the 96 audit reports we reviewed this year, we communicated over 300 individual findings to municipalities. The findings fell into a variety of areas with most found in the government-wide statements, summary of significant accounting policies, deposits and investments note, and the pension note. We also issued 38 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 have wide-reaching applicability as evidenced by the repeat nature of our findings. The following list highlights the more common findings noted.

1. Government-Wide Statements
    a. Restricted net position was presented without identifying the categories of restriction.
    b. Deferred revenues was incorrectly presented as a liability. The term, deferred, is restricted to *deferred inflows* or *deferred outflows* of resources.
    c. Aggregated receivables were not disclosed in the notes and the noncurrent portion of receivable balances were not disclosed as required.
    d. Statement titles and headings did not always clearly indicate whether prior year balances presented comparative GAAP statements or were informational summary totals.

e. The government-wide statement of activities incorrectly presented general and program revenues in the same section.

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.

3. Notes: Deposits and Investments
    a. The notes did not always articulate to the financial statements.
    b. When deposits exceeded FDIC limits, the balance was often disclosed as exposed to credit risk. When the deposits are held in a qualified depository in compliance with the Oregon State Treasurer's Public Funds Collateralization Program (ORS 295), the remaining balance is collateralized and therefore not exposed to custodial credit risk.
    c. When cash and investments are presented together, the note disclosure did not always clearly indicate which portion of the balance is a deposit and which pertains to an investment. This includes investments in the LGIP.

4. Notes: Pension Plans and Other Post Employment Benefits
    a. Many notes omitted required elements including actuarial assumptions of the employer contributions, discount rate information, and information regarding OPSRP-Individual Account Plan (IAP). Further, many entities failed to explicitly identify the IAP as a defined contribution plan.
    b. The 10-year schedule for the pension plan's net pension liability was not presented.
    c. Incorrect dates were used to disclose actuarial valuations and the year contributions subsequent to the measurement date would reduce the entity's liability.

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

If your municipality received a letter from our office communicating desk review results, the feedback is intended to be implemented, as appropriate, in future financial reports. On rare occasion, we will request an amended report for more significant matters and clearly communicate that in the letter. Going forward we will include more context for the communication and clearly state our expectations.

Should you have questions about a letter received, disagree with our findings, or wish to receive further clarification, please call our office and we will be happy to assist you.

PLAN OF ACTION

Anytime an auditor reports deficiencies in a financial statement audit, the entity must adopt a plan of action. The plan must (1) address all deficiencies communicated by the auditor, (2) include the estimated period of time necessary to complete the planned actions, (3) be adopted by the governing body, and (4) be filed with our office within 30 days of filing the audit report (ORS 297.466(2)).

An adopted plan is required for all financial statement audit deficiencies classified by the auditor as either a material weakness or a significant deficiency. Appropriate documentation of the adopted plan continues to be a confusing point. Refer to the following table for acceptable documentation.

Acceptable	*Not Acceptable*
☑ Governing body adopts the plan through motion or resolution and signs a copy of the plan	☒ Management's response to auditor findings
☑ Official copy of approved meeting minutes where the plan was adopted with clear indication of adoption	☒ Acceptance of the audit report by the governing body
	☒ A plan signed by management or superintendent who is not an elected or appointed official

Templates of example plans are available on our website. They should be tailored to each specific entity and deficiency. Our templates are an optional resource. Please feel free to use whatever is appropriate for your governing body.

EXTENSION REQUESTS

Extension requests should not be regularly recurring. They will be approved for good cause on a case-by-case basis. Governments with a June 30 fiscal year end must file their audit or review by December 31. Entities unable to meet the audit deadline should consider filing a request for extension of time to file. The request 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)). Extension requests may be filed directly from 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.

DELINQUENT FILERS

CITIES AND COUNTIES

Cities and counties who fail to submit timely audit reports are sanctioned by withholding 10% of certain state funding. Our goal is to work with these governments to ensure an understanding of the law and to assist, where possible, in the government's compliance with reporting requirements.

This is the third year we have made delinquent filer determinations since the implementation of ORS 297.466 in 2015. Planning ahead to meet reporting deadlines will ensure state funds are not withheld from your city or county.

State funding withheld from cities and counties is released in full once the required reports are received.

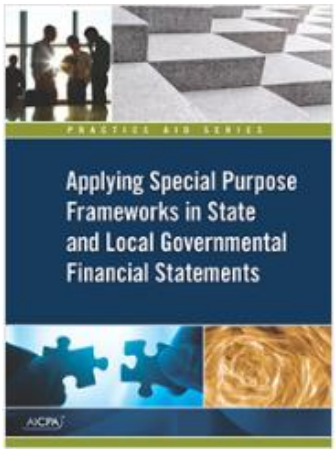
SPECIAL DISTRICTS

In accordance with Municipal Audit Law, any special district that does not file a report with our office for three consecutive years is subject to dissolution. After three missing years, we request the county work to bring the special district into compliance or dissolve the district. If your district needs assistance filing or has questions, we encourage you to call our office.

ALL GOVERNMENTS

Twice a year we post a delinquent filers report to our website. It includes all entities who have not filed their required annual report in any of the most recent three years. Please contact our office if your government is listed and you have any questions or need assistance with your report.

SPECIAL PURPOSE FRAMEWORKS – FREE PRACTICE AID



The August 2018 newsletter discussed the cash and modified cash basis of accounting. While many in the state, and nationally, agree that in measuring the complete financial health of a government "there is no replacement for accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board[1]," we recognize that some local governments in Oregon use a cash or modified cash basis of accounting.

The AICPA has recently made their practice aid, *Applying Special Purpose Frameworks in State and Local Government Financial Statements (2016),* available on their website at no cost. Membership is not required. Obtain the ebook on the Government Audit Quality Center resources page.

STAY CONNECTED

We receive many requests for information and improved communication targeted to municipal officers and staff. In response, we created an email listing to inform subscribers periodically about changes in Municipal Audit Law, financial reporting requirements, audit standards, and changes to program forms or processes. Sign up for updates at sos.oregon.gov/audits and include "Municipal Audit Program" in your selection.

Questions?

Call our office at (503) 986-2255 or email municipalfilings.sos@oregon.gov

[1] AICPA Practice Aid Series, *Applying Special Purpose Frameworks in State and Local Governmental Financial Statements (2016), p. 1*