

Getting It Right: Avoiding Common Financial Reporting Deficiencies

Krisztina M. Dommer and Jake W. Lorentz

1. Letter of Transmittal
 - a. Date
 - b. New recommended discussions
2. Independent Auditor's Report
 - a. Opinion units
 - b. Coverage of schedules
3. Management's Discussion and Analysis
 - a. Detailed analysis
 - b. Analysis of major funds
 - c. Budgetary analysis of General Fund
 - d. Comparative financial statements
 - e. Changes to capital assets and long-term debt
4. Component Units
 - a. Blended component units that provide services to citizens
 - b. Data incomplete
5. Statement of Net Assets
 - a. Netting of pension/OPEB obligations and assets
 - b. Display of premiums and discounts
 - c. Calculation of net assets, invested in capital assets, net of related debt
 - d. Detail of restricted net assets
6. Statement of Activities
 - a. Shared taxes
 - b. Functional categories
 - c. Significance of special items
 - d. Intergovernmental revenues and expenses
 - e. Program revenues at the function level
7. Fund Financial Statements
 - a. Threshold criteria for defining major funds
 - b. Reconciliation detail
8. Governmental Funds
 - a. Certain liabilities only reported if "due and payable"
 - b. Separate other financing use and source for refunding transactions
 - c. Treatment of premiums and discounts for debt issuances
 - d. Limited other financing sources/uses

9. Proprietary Funds
 - a. Classified presentation
 - b. Detail of restricted assets
 - c. Consistent reporting of capital contributions
 - d. Categorization of miscellaneous cash flows
 - e. Noncash items

10. Fiduciary Funds
 - a. Separate reporting of pension and other-postemployment benefit plans
 - b. Display of principal subdivisions of investments for benefit plans
 - c. On-behalf payments

11. Notes to the Financial Statements
 - a. Component unit disclosure incomplete
 - b. Mention of relevant investment policies or lack thereof
 - c. Display of gross components of changes in long-term liabilities
 - d. GASB Statement No. 50 disclosures
 - e. Actuarial assumptions
 - f. Reference to unaudited data in the notes
 - g. Information to use for postemployment benefit calculations
 - h. Annual postemployment benefit cost vs. annual required contribution
 - i. Zero contributions for OPEB benefits
 - j. Pollution remediation disclosures

12. Required Supplementary Information
 - a. Only general fund and major special revenue fund budgets allowed
 - b. Budgetary note disclosures
 - c. Six years of actuarial funding progress information sometimes required
 - d. Actuarial valuation method disclosed should agree with the notes

13. Other Supplementary Information
 - a. Incomplete budgetary presentations
 - b. Detail at legal level of budgetary control
 - c. Agency fund statement of changes in assets and liabilities

14. Statistical Section
 - a. Calculation of debt service as a percentage of noncapital expenditures
 - b. Largest own-source revenue information
 - c. Elective presentation of second largest own-source revenue
 - d. Per capita ratio of total outstanding debt vs. total general obligation debt
 - e. Information on ten largest employers

15. General
 - a. Traceability/Articulation
 - b. Spreadsheet formulas
 - c. Printing problems