

**LANDFILL** 2017 Audit Programs

June 30, 2017

**CAPITAL ASSETS**

| <b>PROCEDURE</b>   | <b>OBJ.</b> | <b>DONE<br/>BY</b> | <b>W/P<br/>REF</b> | <b>N/A</b> | <b>REMARKS</b> |
|--|-------------|--------------------|--------------------|------------|----------------|
| <b>Audit Objectives and Related Assertions:</b><br><br><b>A. Capital assets represent a complete and valid listing of the capitalizable cost of assets purchased, constructed or leased by the Landfill and are physically on hand. (1,2,3,4)</b><br><br><b>B. "Additions" or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment acquired during the year. (1,2,3,4)</b><br><br><b>C. "Deletions" of capitalized costs and, if applicable, related depreciation/amortization associated with all sold, abandoned, damaged or obsolete capital assets have been removed from the accounts. (1,2,3,4)</b><br><br><b>D. Depreciation/amortization and the related allowance account has been computed on an acceptable basis consistent with that used in the prior year. (4,7)</b><br><br><b>E. Capital expenses and capital assets are properly classified by fund or type of activity in the financial statements and related disclosures are adequate. (10,11,12,13)</b><br><br><b>Audit Procedures:</b><br>A. Obtain a reconciliation of capital asset activity for the fiscal year.<br>B. Document the capitalization policy for each class of asset.<br>C. Trace a selection of additions to list of assets.<br>1. Determine major additions were authorized by the governing body.<br>2. Determine classification as an asset, rather than repair and maintenance expense, is consistent with policy.<br>3. Observe existence of the capital asset addition.<br>4. If capital asset additions were not included in the expenditure test population, examine invoices and other supporting documentation, for each tested addition.<br>5. For reporting:<br>a. Obtain the Landfill's reconciliation of additions to the related expenses. Prepare the journal entry to eliminate additions from expenses. | B           |                    |                    |            |                |
|  |             |                    |                    |            |                |

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|--|-------------------|--------------------|--------------------|------------|----------------|
| <ul style="list-style-type: none"> <li>b. Determine the amount of revenue to be recorded as contributions from other governments for the addition of capital assets acquired through purchases made by other governments.               <ul style="list-style-type: none"> <li>1) Analyze the capital projects payments to determine the completeness of capital asset additions and discuss with Landfill management whether uncapitalized payments should be reclassified to repair and maintenance.</li> <li>2) For construction in progress, determine and document the status at year-end.</li> </ul> </li> </ul> |                   |                    |                    |            |                |
| D. Deletions <ul style="list-style-type: none"> <li>1. Trace to supporting documentation.</li> <li>2. Trace to authorization.</li> <li>3. Trace proceeds to cash receipts journal.</li> <li>4. Determine the gain/loss on disposal of capital assets.</li> </ul>   | C                 |                    |                    |            |                |
| E. Trace a selection of capital assets to physical existence: <ul style="list-style-type: none"> <li>1. Select items to trace from the listing to the actual asset.</li> <li>2. Select items to trace from the actual asset to the listing.</li> </ul>   | A                 |                    |                    |            |                |
| F. Foot additions, deletions and the capital asset listing.  | A,B,<br>C,D       |                    |                    |            |                |
| G. For depreciation/amortization: <ul style="list-style-type: none"> <li>1. Document depreciation/amortization policy and useful lives used by each class of asset.</li> <li>2. Determine if depreciation/amortization methods and useful lives are consistently applied.</li> <li>3. Verify mathematical accuracy.</li> <li>4. Test computation of depreciation/amortization expense and extension of accumulated depreciation/amortization.</li> <li>5. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.</li> </ul>  | D                 |                    |                    |            |                |
| H. Determine the Landfill recorded intangible assets in accordance with GASB 51. Examples of intangible assets include computer software, easements, land use rights, patents, trademarks and copyrights.  | A,B,<br>C,D,<br>E |                    |                    |            |                |

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|--|-------------|--------------------|--------------------|------------|----------------|
| <ol style="list-style-type: none"> <li>1. For internally generated intangible assets, determine only outlays related to the development of the asset incurred <u>subsequent</u> to meeting <u>all</u> of the following criteria were capitalized: <ol style="list-style-type: none"> <li>a. Determination of the specific objective of the project and nature of the service capacity expected.</li> <li>b. Demonstration of technical or technological feasibility for completing the project.</li> <li>c. Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset.</li> </ol> <p>(Outlays incurred prior to meeting the above criteria should be expensed.)</p> </li> <li>2. For internally generated computer software, determine outlays are expensed or capitalized based on the nature of the activity: <ol style="list-style-type: none"> <li>a. Preliminary project stage outlays are expensed.</li> <li>b. Application and development stage outlays are capitalized but cease no later than when the computer software is complete and operational.</li> <li>c. Post implementation/operation stage outlays are expensed.</li> </ol> </li> <li>3. Analyze useful lives of intangible assets and test the amount of amortization applied to the assets. <ol style="list-style-type: none"> <li>a. Verify the useful life does not exceed contractual or legal provisions of the intangible asset.</li> <li>b. Determine intangible assets with indefinite useful lives were not amortized.</li> </ol> </li> <li>I. Analyze equipment leases to determine if they meet the criteria in GASB Codification Section L20.</li> <li>J. If an impairment of capital assets exists under GASB 42 criteria: <ol style="list-style-type: none"> <li>1. Determine appropriate adjustments were made to the asset valuation.</li> <li>2. Determine required disclosures were included for capital asset impairments.</li> <li>3. Determine insurance recoveries on impaired assets were properly recorded.</li> </ol> </li> </ol> |             |                    |                    |            |                |
|  | A           |                    |                    |            |                |
|  | C,E         |                    |                    |            |                |

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## CAPITAL ASSETS

[illegible]