

LANDFILL 2018 Audit Programs

June 30, 2018

LONG-TERM LIABILITIES/DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Debt is authorized, supported and represents a Landfill obligation. (1,2)					
B. All indebtedness of the Landfill is identified, recorded and disclosed. (3,11)					
C. Debt is recorded at the proper amount. (4)					
D. Related disbursements or expenses (including principal and interest payable) and debt proceeds are properly recorded and classified. (4,5,6,7,8,9)					
E. Debt and related restrictions, guarantees and commitments are properly presented in the financial statements and the related disclosures are adequate. (10,11,12,13)					
F. The Landfill has complied with provisions of indentures and agreements related to the debt, including provisions on use of the proceeds.					
Audit Procedures:					
A. Revenue Bonds or Notes:					
1. Determine copies of bond or note provisions (ordinances or resolutions), including refunding bond/note issues and escrow agreements for note disclosure, sales agreements and/or contracts are included in the permanent file. Document revenue bond or note special reporting requirements such as insurance, number of customers, rates, etc. for report.	A,E				
2. Review bond or note provisions for compliance with restrictive and reporting requirements and test adequacy of required account balances and document findings. Document and include any non-compliance in the notes to financial statements and audit report comment.	E,F				
3. For revenue bonds and notes, include the required disclosures about specific revenues pledged as required by GASB 48, including:	E				
a. Identification of the specific revenue and amount pledged.					
b. Purpose of the debt secured by the pledged revenue.					
c. The term of the commitment.					
d. The percentage of the pledged amount to the total for that specific revenue.					

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<p>e. A comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt collateralized by those revenues.</p> <p>4. If bonds or notes are callable, determine if debt service balances are adequate to provide for early retirement of bonds and, if so, determine disposition.</p> <p>5. Determine and document the procedures for bonds or notes sold during the current year were in compliance with Chapters 28E and 75 of the Code of Iowa.</p> <p>6. Determine and document interest rates on the bonds or notes sold during the period are within the interest rates authorized by Chapter 74A of the Code of Iowa.</p> <p>7. Determine and document bond or note proceeds are being used in accordance with bond provisions.</p> <p>8. Obtain or prepare a summary of revenue bond or note indebtedness activity for the year by bond or note issue.</p> <p>9. Reconcile bonds or notes redeemed and bond/note interest paid to books.</p> <p>10. Summarize bonds/notes and interest due but not paid at year end.</p> <p>11. Determine and document whether a bond or note register is maintained and kept current.</p> <p>12. On a test basis trace paid bonds/notes and coupons to the</p> <p>13. On a test basis, trace bond/note and interest payments to canceled checks. Determine the payee agrees with bond/note and interest records for registered bonds/notes.</p> <p>14. Test interest expense for reasonableness and test for the possibility of unrecorded debt.</p> <p>15. Confirm bond/note activity for registered bonds/notes if the Landfill has designated an outside registrar or paying agent.</p> <p>16. Determine the Landfill has complied with the reporting (MSRB) through its Electronic Municipal Market Access (EMMA) system (www.emma.msrb.org).</p>	<p>D</p> <p>D</p> <p>B</p> <p>A,B,C</p>				

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B. Anticipatory Warrants/Obligations					
1. Obtain or prepare a schedule of obligations outstanding at year-end and reconcile to obligations outstanding at the beginning of the year, obligations issued during the year and obligations redeemed during the year.					
2. Review authorization for issuance of these obligations.					
3. Confirm end of year balances of anticipatory warrants.	A,B,C				
4. Determine debt instruments issued comply with provisions of Chapter 74 of the Code of Iowa.	F				
5. Trace receipts of such obligations into the cash receipts journal and bank statements.	C				
6. If proceeds are not recorded in cash receipts journal, trace to subsidiary ledger and prepare recommended adjustment to properly record these transactions and reflect them in the fund balance.					
7. Obtain information on interest paid during the year and payment date. Recompute interest paid on a test basis.					
8. Determine anticipatory warrants redeemed were recorded as disbursements at the time of redemption.					
9. Anticipatory warrants issued and redeemed during the year should be included as other financing sources and uses, respectively.					
C. Capital Leases and Installment Purchases					
1. Review lease and installment purchase agreements.	A				
2. Identify capital versus operating leases according to the criteria in GASB Codification, Section L20.	E				
3. For GAAP basis landfills, determine initial proceeds were recorded as an other financing source and a disbursement was recorded in the proper expenditure account.	D				
4. Obtain or prepare summary of payments for operating and capital leases and installment purchase agreements for the next five years and thereafter.	E				
5. Compare summaries to agreements.					
6. Determine fiscal year rental expense (net of leases for one month or less).					
7. Reconcile to payment schedule.	B,D				

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D. Judgments and Claims (See also "Insurance and Self-Insurance" section of audit program)	A,B,D				
1. Obtain a listing of judgments and claims against the Landfill.					
2. Trace to supporting documentation.					
3. Determine if judgments/claims were paid out of the proper fund.					
E. Determine other long-term debt (lease purchase agreements, deferred payment contracts, real estate contracts, loans, nonexchange financial guarantees) is included in the financial statements, if applicable, is properly disclosed and adequate documentation is filed in the workpapers. Determine loan and other agreements comply with Chapters 331.301(10), 331.402, 331.478 and 331.479 of the Code of Iowa.	A,B,E				
F. Termination Benefits					
1. Review the Landfill's termination benefits plan and determine the plan was properly approved.					
2. Obtain or prepare a list of employees eligible for termination benefits under the plan and the amount of the Landfill's current year expense and liability as of June 30.	A				
3. Distinguish between:	C,E				
a. Current portion.					
b. Non-current portion.					
4. Select a number of eligible employees under the plan to determine if:	A,B,C, D				
a. The employees meet the requirements noted in the policy					
b. The employees were properly approved for participation in the plan					
c. The current year expense and liability were properly calculated as of June 30.					
5. Inquire of Landfill personnel about other eligible employees not included in the list.	B				
6. Prepare the necessary footnote disclosure, including:	E				
a. A general description of the termination benefit arrangements, including, but not limited to:					
1) Information about the type(s) of benefits provided.					

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<p>2) The number of employees affected.</p> <p>3) The period of time over which benefits are expected to be provided.</p> <p>b. The costs of termination benefits in the period in which the Landfill becomes obligated if the information is not otherwise identifiable from the disclosures on the face of the financial statements.</p> <p>c. The significant methods and assumptions used to determine the termination benefit liabilities and expenses.</p> <p>G. Postemployment Benefits (PEB), excluding pensions:</p> <ul style="list-style-type: none"> - OPEB (GASB 74/75) - Sick Leave Dollars Converted to Healthcare (GASB 16/45/47) <p>(For cash basis Landfills which have not obtained an actuarial report, perform only those procedures necessary to audit the cash basis postemployment benefits footnote.)</p> <p>1. Obtain copies of personnel policies, employment contracts, union agreements, employee handbook, retirement plans, etc. to gain an understanding of the Landfill's PEB agreements/plans and plan membership.</p> <p>2. If the Landfill has postemployment benefit plans requiring actuarial calculations, perform the following:</p> <p>a. Obtain a copy of and file the following:</p> <ul style="list-style-type: none"> 1) Plan document(s), including copies of amendments, if any, considered in preparing the actuarial valuation report. 2) Latest actuarial valuation report. (Note: annual or biennial actuary valuation is required.) 3) Census and plan asset data provided to the actuary. <p>b. Determine whether the scope and objectives of the work performed by the actuary are appropriate by reviewing the latest plan documents and compare with key provisions included in the actuarial valuation report. If the report does not include a description of key plan provisions, it may be necessary to confirm the actuary's understanding of such provisions.</p>	<p>A,B</p> <p>C</p>				

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<p>c. Perform tests of census data provided to the actuary:</p> <ol style="list-style-type: none"> 1) Reconcile aggregate census data, such as the number of employees and covered compensation, to amounts shown in the actuarial valuation report or the actuary's letter. 2) Check selected census data (age, sex, marital status, current pay, term of employment, etc.) to payroll records. Document the items tested. 3) Based on plan documents, make appropriate tests to determine whether all eligible employees are included in the census data provided to the actuary. <p>d. Methods and assumptions used by the actuary:</p> <ol style="list-style-type: none"> 1) Obtain an understanding of the methods and assumptions used by the actuary. NOTE: Understanding may be obtained through review of the actuarial valuation report. If basis for methods and assumptions is not clear in the report, consider the need to contact the actuary for clarification. 2) Review the assumptions used by actuary to determine PEB liabilities for reasonableness, including performing a comparison of the assumptions used with those in preceding periods (e.g. turnover, retirement age, mortality, disability, projected salary increases, inflation rate, medical trend data, investment return). (Include/update documentation of assumptions in the permanent file for trend analysis). <p>e. Inquire of the Landfill as to any intent to terminate the plan.</p> <p>3. If the alternative measurement method was used, perform similar procedures as identified in step 2. (Note: Method is allowed for plans with total membership of less than 100.)</p> <p>4. Determine the appropriate amounts for the total OPEB liability, OPEB expense and deferred outflows/inflows of resources.</p> <p>5. Determine the accounting and reporting are in accordance with applicable standards.</p>					
	C				
	C,E				
	C,E				

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<p>6. Determine disclosures and required supplementary information are made in accordance with the applicable standards. (Note: for cash basis Landfills electing not to obtain actuarial information, disclosures should include plan description, plan participation and legal/contractual requirements.</p>	E				
<p>H Pension Disclosures (GASB 68):</p> <p>Determine completeness and adequacy of pension liabilities as follows:</p> <ol style="list-style-type: none"> Evaluate and document whether the plan auditor's report and schedule are adequate and appropriate. Evaluate whether the plan auditor has the necessary competence and independence. Recalculate Landfill employer contribution amounts, the allocation percentage and the collective pension amounts allocated to the Landfill based on the allocation percentage. Determine disclosures and required supplementary information are made in accordance with the applicable standards. 					
<p>I. Determine if another entity has issued debt on behalf of the Landfill. If so:</p> <ol style="list-style-type: none"> Include copies of the agreements with the entity in the permanent file, including repayment schedules. Determine payments made to the entity are in accordance with the agreement. Determine appropriate disclosures are included in the financial statements. 	E				
<p>J. If the Landfill has issued any conduit debt obligations (certain limited-obligation revenue bonds, certificates of participation or similar debt instruments issued by an entity for the express purpose of providing capital financing for a specific third party that is not a part of the entity's financial reporting entity), determine the appropriate disclosures are made in accordance with <u>Interpretation No. 2 of GASB Disclosure of Conduit Debt Obligations</u>:</p> <ol style="list-style-type: none"> A general description of the conduit debt transaction. The aggregate amount of all conduit debt obligations outstanding at year-end. A clear indication the Landfill has no obligation for the debt beyond the resources provided by the related leases or loans. 	E				

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<p>K. Pollution Remediation Obligation</p> <ol style="list-style-type: none"> 1. For contaminated or polluted sites, determine if an obligating event has occurred requiring the Landfill to include a liability and/or disclosure for a pollution remediation obligation in accordance with GASB 49. 2. Determine the measurement and presentation of the liability and expense was made in accordance with GASB 49. 3. Determine any insurance or other recoveries are properly reported in accordance with GASB 49 as: <ol style="list-style-type: none"> a. A reduction of the liability and expense for unrealized recoveries. b. An asset and a reduction of the expense for realized recoveries. 4. Determine the appropriate disclosures are included in accordance with GASB 49. <p>L. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.</p> <p>M. Determine whether long-term debt is properly classified and disclosures are adequate. GASB 23 addresses the accounting and financial reporting for refundings of debt reported by proprietary activities.</p> <p><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></p>	<p>A,B</p> <p>C,D,E</p> <p>C,D,E</p> <p>E</p> <p>E</p>				

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<u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for long-term debt and the results of these procedures are adequately documented in the accompanying workpapers. Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					