

COUNTY 2018 Audit Programs

June 30, 2018

LONG-TERM DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions: A. Debt is authorized, supported and represents a County obligation. (1,2) B. All indebtedness of the County is identified, recorded and disclosed. (3,11) C. Debt is recorded in the proper fund and/or governmental or business type activities at the proper amount. (4) D. Related disbursements or expenditures (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) Audit Procedures: A. Obtain or prepare a schedule of long-term debt. <ol style="list-style-type: none"> 1. The schedule should include the following: <ol style="list-style-type: none"> a. General obligation bonds. b. Lease-purchase agreements/capital leases. c. Installment purchase contracts. d. Judgments and claims. e. Compensated absences: <ol style="list-style-type: none"> 1) portion due within one year. 2) portion due after one year. f. Termination benefits. g. OPEB h. Nonexchange financial guarantees i. Other (list): <ol style="list-style-type: none"> 1) _____ 2) _____ 3) _____ 2. Determine the reasonableness of the amounts recorded. 	A,B				
	C				

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B. General Obligation and Revenue Bonds and 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.	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 comments.	E				
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 the specific revenue.					
e. A comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt collateralized by those revenues.					
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.					
5. Obtain or prepare a summary of bond or note indebtedness activity for the year by bond or note issue.					
6. Confirm bond activity for registered bonds if County has designated an outside registrar or paying agent.	A,B,C				
7. Determine and document whether a bond or note register is maintained and kept current.					
8. On a test basis, trace paid bonds/notes and coupons to the bond/note register and determine if they have been properly canceled.					

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9. Reconcile bonds or notes redeemed and bond or note interest paid to general ledger.	D				
10. Summarize bonds/notes and interest due but not paid at year end.					
11. 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.	D				
12. Test interest expense for reasonableness and test for the possibility of unrecorded debt.	B				
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. Determine initial proceeds were properly 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				
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 County.					
2. Trace to supporting documentation.					
3. Determine if judgments/claims were paid out of the proper fund.					
E. Compensated Absences					
1. Review the County's policies for earned vacation, sick leave and related FICA/IPERS benefits.					

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2. Obtain a summary of compensated absences at June 30 and foot the summary.	A				
3. Determine the amounts have been determined in accordance with the provisions of GASB 16, including salary-related payments such as the employer's share of social security and pension plan contributions, as applicable.	C				
4. Distinguish between:	C,E				
a. Matured portion for retirement or resignation not paid at June 30 for governmental funds.					
b. Long-term portion:					
1) due within one year.					
2) due after one year.					
5. Review for reasonableness.	B				
6. Select amounts to test the validity of compensated absences:	A,B,C,D				
a. Trace to supporting data.					
b. Recalculate hourly rate, number of hours earned and unused and extensions.					
c. Determine appropriateness of charges to various funds.					
F. Termination Benefits					
1. Review the County's termination benefits plan and determine that 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 County's current year expense and liability as of June 30.	A				
3. Distinguish between:	C,E				
a. Matured termination benefits not paid at June 30 for governmental funds.					
b. Long-term debt:					
1) due within one year.					
2) due after one year.					

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<p>4. Select a number of eligible employees under the plan to determine if:</p> <p>a. The employees meet the requirements noted in the policy.</p> <p>b. The employees were properly approved for participation in the plan.</p> <p>c. The current year expense and liability were properly calculated as of June 30.</p> <p>5. Inquire of County personnel about other eligible employees not included in the list.</p> <p>6. Prepare the necessary footnote disclosure, including:</p> <p>a. A general description of the termination benefit arrangements, including, but not limited to:</p> <p>1) Information about the type(s) of benefits provided.</p> <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 employer 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), including:</p> <ul style="list-style-type: none"> - OPEB (GASB 74/75) - Pension Benefits/Retirement Income (GASB 27 as amended by 50/68) - Pensions other than IPERS (GASB 73) - Sick Leave Dollars Converted to Healthcare (GASB 16/45/47) - Termination Benefits (GASB 47) 	<p>A,B,C,D</p> <p>B</p> <p>E</p>				

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1. Obtain copies of personnel policies, employment contracts, union agreements, employee handbook, retirement plans, etc. to gain an understanding of the County's PEB agreements/plans and plan membership.	A, B				
2. If the County has postemployment benefit plans requiring actuarial calculations, perform the following:	C				
a. Obtain a copy of and file the following:					
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.					
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.					
c. Perform tests of census data provided to the actuary:					
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.	C				

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d. Methods and assumptions used by the actuary:					
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 the 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).					
e. Inquire of the County as to any intent to terminate the plan.					
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.)	C				
4. Determine the appropriate amounts for the total OBEB liability, OPEB expense and deferred outflows/inflows of resources.	C,E				
5. Determine completeness and adequacy of pension liabilities as follows:	C,E				
a. Evaluate and document whether the plan auditor's report and schedule are adequate and appropriate.					
b. Evaluate whether the plan auditor has the necessary competence and independence.					
c. Recalculate County employer contribution amounts. The allocation percentage and the collective pension amounts allocated to the County based on the allocation percentage.					

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6. Determine the accounting and reporting are in accordance with applicable standards for each of the following: <ul style="list-style-type: none"> a. Governmental activities. b. Business type activities. c. Enterprise Funds. d. Discretely presented component units. 	C,D,E				
7. Determine disclosures and required supplementary information are made in accordance with the applicable standards.	E				
H. Other long-term debt:					
1. Determine other long-term debt (lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements) is included in the financial statements, if applicable, is properly disclosed and adequate documentation is filed in the workpapers.	E				
I. Municipal solid waste landfill (MSWLF) closure and postclosure care costs.	A,B,C,D				
1. Obtain copies of applicable federal, state and local laws and regulations affecting MSWLF's that have been approved as of the balance sheet date.					
2. Examine documentation supporting capacity data including estimated capacity and current usage or cumulative capacity used (i.e. recent engineering studies, etc.)					
3. Examine documentation supporting the following elements of estimated total current costs: <ul style="list-style-type: none"> a. Equipment and facilities. b. Final cover. c. Monitoring and maintenance. 					
4. Determine reasonableness of the annual adjustment to the estimated total current costs.					
5. Determine the current period allocation was properly calculated based on the formula in GASB 18.					

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6. Determine current period allocation and actual costs were properly recorded.					
a. Current period allocation recognized as an expense and a fund liability.					
b. Determine equipment and facilities, final cover and monitoring and maintenance costs included in the estimated total current cost are reported as a reduction of the accrued liability when they are acquired.					
c. Determine capital assets used exclusively for the MSWLF and excluded from the calculation of the estimated total current cost of closure and postclosure care will be fully depreciated by the date the MSWLF stops accepting solid waste.					
d. Determine capital assets used for a single cell and excluded from the calculation of the estimated total current cost of closure and postclosure care are fully depreciated by the date each cell is closed.					
7. Obtain copies of permits or permit renewals to determine approved periods of operation.					
8. Determine if the County is contingently liable when all or part of the responsibility for closure and postclosure care has been transferred to another entity (i.e. 28E organization).					
a. Determine if the County has agreed to act as a local government guarantor of another entity's closure, postclosure care and/or corrective action costs or has established a local government dedicated fund for the same purpose.					
b. Consider the financial capability or stability of the assuming entity to meet such obligations when they are due by obtaining recent financial statements of the entity and/or discussions with management.					
c. Determine the amount of obligation to be reported if it appears the assuming entity will not be able to meet its obligations and the County will be required to pay closure and postclosure care costs.					

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J. Pollution Remediation Obligation					
1. For contaminated or polluted sites, determine if an obligating event has occurred requiring the County to include a liability for a pollution remediation obligation in accordance with GASB 49.	A,B				
2. Determine the measurement and presentation of the liability and expense was made in accordance with GASB 49.	C,D,E				
3. Determine any insurance or other recoveries are properly reported in accordance with GASB 49 as: <ul 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. 	C,D,E				
4. Determine the appropriate disclosures are included in accordance with GASB 49.	E				
K. 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.					
L. Determine whether long-term debt is properly classified and disclosures are adequate and in compliance with GASB 23.	E				
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<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 _____				

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