

COMMUNITY COLLEGE 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 College obligation. (1,2)					
B. All indebtedness of the College 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. Disbursements or expenditures (including principal and interest) 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 related disclosures are adequate. (10,11,12,13)					
F. The College has complied with provisions of indentures and agreements related to debt, including provisions on the use of proceeds.					
Audit Procedures:					
A. Loans/Notes Payable					
1. Obtain or prepare a schedule reconciling and analyzing changes in the account balance(s) during the year and test the changes. Investigate any discrepancies.	A,B				
2. Review the debt instruments for compliance with terms and conditions:					
a. Review the resolution for issuance of new debt.	A,B,C				
b. Determine the proceeds from new debt issued were properly recorded and trace proceeds to the bank statement.	A				
c. If proceeds from new debt are not immediately needed, determine whether they were invested and if the interest earned was credited to the project fund or used to reduce the debt, in accordance with Chapter 12C.9(2) of the Code of Iowa.					
d. Determine compliance with sinking fund requirements (should be shown in retirement of indebtedness subfund).	C,D				
e. Determine proceeds were used for the intended purpose.					

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f. Determine loans or notes payable were retired from appropriate revenue sources as provided by Chapter 260C.22 of the Code of Iowa.	F				
g. Determine premiums/discounts and issue costs are properly recorded and amortized, if applicable.	E				
3. Confirm principal amount, maturity date, interest rate, collateral and security.	A,B,C				
4. Obtain or prepare a schedule of maturity payments for at least the next 5 years and thereafter.	D,E				
B. Bonds/Certificates Payable					
1. Obtain or prepare a schedule reconciling and analyzing changes in the account balance(s) during the year and test the changes. Investigate any discrepancies.	B				
2. Review the debt instruments for compliance with terms and conditions (including refunding bond issues):					
a. Review the resolution for issuance of new debt.	A				
b. Test premiums or discounts and accrued interest on bonds or certificates sold to determine compliance with the provisions of Chapters 75 and 260E.6(1) of the Code of Iowa.	F				
c. Determine the proceeds from new debt issued were properly recorded and trace proceeds to the bank statement.	A				
d. If proceeds from new debt are not immediately needed, determine whether they were invested and if the interest earned was credited to the project fund or used to reduce the debt, in accordance with Chapter 12C.9(2) of the Code of Iowa.					
e. Determine the College published a notice of intention to issue certificates stating the purpose, amount and project(s) as required by Chapter 260E.6(5) of the Code of Iowa.	F				
f. Determine compliance with sinking fund requirements (should be shown in retirement of indebtedness subfund).	D,F				

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g. Determine proceeds were used for the intended purpose.	F				
h. Determine bonds or certificates payable were retired from appropriate revenue sources as provided by Chapters 260C.22, 260E and 260F of the Code of Iowa.	F				
i. Determine premiums/discounts and issue costs are properly recorded and amortized, if applicable.	E				
j. Determine issue costs do not exceed 2% for tax exempt bonds/certificates.					
3. Confirm principal amount, maturity date, interest rate, collateral and security.	A,C				
4. Obtain or prepare a schedule of maturity payments for at least the next 5 years and thereafter.	D,E				
5. Determine the College has complied with the reporting requirements in accordance with SEC Rule 15c2-12. Effective July 1, 2009, issuers are subject to ongoing filing requirements for issuances of more than \$1,000,000. All continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system (www.emma.msrb.org).					
6. 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.					

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C. Capital Leases and Installment Purchases					
1. Review lease and installment purchase agreements.	A				
2. Obtain or prepare summary of payments for both operating and capital leases for the next five years and thereafter.	E				
3. Identify capital versus operating leases according to the criteria in GASB Codification, Section L20.	E				
4. Determine initial proceeds were properly recorded as an other financing source and a disbursement was recorded in the proper expenditure account.	D				
5. Compare summary to lease 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 College.					
2. Trace to supporting documentation.					
3. Determine if judgments/claims were paid out of the proper fund.					
E. Determine other long-term debt (deferred payment contracts, real estate contracts, statewide/local option sales tax bonds, nonexchange financial guarantees) is included in the financial statements, if applicable, is properly disclosed and adequate documentation is filed in the workpapers.					
F. Termination Benefits					
1. Review the College'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 College's current year expense and liability as of June 30.	A				

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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.					
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 College 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.					
2) The number of employees affected.					
3) The period of time over which benefits are expected to be provided.					
b. The costs of termination benefits in the period in which the College becomes obligated if the information is not otherwise identifiable from the disclosures on the face of the financial statements.					
c. The significant methods and assumptions used to determine the termination benefit liabilities and expenses.					

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<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>1. Obtain copies of personnel policies, employment contracts, union agreements, employee handbook, retirement plans, etc. to gain an understanding of the College's PEB agreements/plans and plan membership.</p> <p>2. If the College has postemployment benefit plans requiring actuarial calculations, perform the following:</p> <ul style="list-style-type: none"> a. Obtain a copy of and file the following: <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. 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: <ul 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. 	<p>A,B</p> <p>C</p>				

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<p>2) Check selected census data (age, sex, marital status, current pay, term of employment, etc.) to payroll records. Document the items tested.</p> <p>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> <p>d. Methods and assumptions used by the actuary:</p> <p>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.</p> <p>2) Review for reasonableness the assumptions used by actuary to determine PEB liabilities, 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> <p>e. Inquire of the College 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 completeness and adequacy of pension liabilities as follows:</p> <p>a. Evaluate and document whether the plan auditor's report and schedule are adequate</p>					
	C				
	C,E				
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<ul style="list-style-type: none"> b. Evaluate whether the plan auditor has the necessary competence and independence. c. Recalculate College employer contribution amounts, the allocation percentage and the collective pension amounts allocated to the College based on the allocation percentage. 					
6. Determine the accounting and reporting are in accordance with applicable standards.	C,E				
7. Determine disclosures and required supplementary information comply with the applicable standards.	E				
H. Refundable Allowances on Student Loans					
1. Document balances to be reported.					
2. Determine whether the balances are properly calculated.					
I. Pollution Remediation Obligation					
1. For contaminated or polluted sites, determine if an obligating event has occurred requiring the College 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				
J. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
K. Determine whether debt and related disbursements are properly classified and disclosures are adequate.	E				

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