

RIZ 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 RIZ obligation. (1,2) B. All indebtedness of the RIZ 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 related disclosures are adequate. (10,11,12,13) Audit Procedures: A. General obligation, special assessment and 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 special reporting requirements such as insurance, number of customers, rates, etc. for report. 2. Review bond or note provisions for compliance with restrictive and reporting requirements, 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. 3. For revenue bonds and notes, include the required disclosures about specific revenues pledged as required by GASB 48, including: 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.					
	A,E				
	E				
	E				

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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 or notes and, if so, determine disposition.</p> <p>5. Determine and document whether a bond or note register is maintained and kept current.</p> <p>6. Obtain or prepare a summary of general obligation, special assessment and revenue bond or note indebtedness activity for the year by bond or note issue.</p> <p>7. On a test basis, trace paid bonds/notes and coupons to the bond/note register and determine if they have been properly canceled.</p> <p>8. Reconcile bonds or notes redeemed and bond/note interest paid to books.</p> <p>9. Summarize bonds/notes and interest due but not paid at year-end.</p> <p>10. Confirm bond/note activity for registered bonds/notes if RIZ has designated an outside registrar or paying agent.</p> <p>11. Confirm balances for FMHA single bond/note revenue bond/note issues.</p> <p>12. 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>13. Test interest expense for reasonableness and test for the possibility of unrecorded debt.</p> <p>14. If the RIZ has a Treasurer's Bond and Interest Account, prepare a workpaper to reconcile checking account receipts and disbursements for bonds and coupons to the general ledger. Obtain information required for note disclosure.</p> <p>B. Anticipatory Warrants/Obligations</p> <p>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.</p>	<p>D</p> <p>A,B,C</p> <p>A,B,C</p> <p>D</p> <p>B</p> <p>A,B,D</p>				

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2. Confirm end of year balances of anticipatory warrants.	A,B,C				
3. Trace receipts of such obligations into the cash receipts journal and bank statements.	D				
4. 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.					
5. Obtain information on interest paid during the year and payment date. Recompute interest paid on a test basis.	D				
6. Determine anticipatory warrants redeemed were recorded as a disbursement at the time of redemption.	D				
7. Anticipatory warrants issued and redeemed during the year should be included as other financing sources and uses, respectively.	D				
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. Obtain or prepare summary of payments for operating and capital leases and installment purchase agreements for the next five years and thereafter.	E				
4. Compare summaries to agreements.					
5. Determine fiscal year rental expense (net of leases for one month or less).					
6. 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 RIZ.					
2. Trace to supporting documentation.					
3. Determine if judgments/claims were paid out of the proper fund.					

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E. Termination Benefits					
1. Review the RIZ'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 RIZ's current year expense and liability as of June 30.	A				
3. 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.					
4. Inquire of RIZ personnel about other eligible employees not included on the list.	B				
5. Prepare the necessary footnote disclosure:	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 RIZ 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>F. Postemployment Benefits (PEB), excluding pensions:</p> <ul style="list-style-type: none"> - OPEB (GASB 74/75) - Pensions other than IPERS (GASB 73) - Sick Leave Dollars Converted to Healthcare (GASB 16/45/47) - Termination Benefits (GASB 47) <p>(For cash basis cities which have not obtained an actuarial report, perform only those procedures necessary to audit the cash basis Other Postemployment Benefits footnote.)</p> <ol style="list-style-type: none"> 1. Obtain copies of personnel policies, employment contracts, union agreements, employee handbook, retirement plans, etc. to gain an understanding of the RIZ's PEB agreements/plans and plan membership. 2. If the RIZ has postemployment benefit plans requiring actuarial calculations, perform the following: <ol style="list-style-type: none"> a. Obtain a copy of and file the following: <ol 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: 	<p>A,B</p> <p>A</p>				

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5. 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				
6. Determine disclosures and required supplementary information are made in accordance with the applicable standards. (Note: For cash basis entities electing not to obtain actuarial information, disclosures should include plan description, plan participation and legal/contractual requirements.)	E				
G. Pension Disclosures (GASB 27 as amended by 50/68) <ul style="list-style-type: none"> 1. Determine completeness and adequacy of pension disclosures as follows: 2. Evaluate and document whether the plan auditor's report and schedule are adequate and appropriate. 3. Evaluate whether the plan auditor has the necessary competence and independence. 4. Recalculate RIZ employer contribution amounts, the allocation percentage and the collective pension amounts allocated to the RIZ based on the allocation percentage. 	C,E				
H. Determine other long-term debt (lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements, 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.	E				
I. Prepare workpaper reconciling debt payments shown on the Statement of Indebtedness to the amounts reported in the schedules if not readily apparent in the financial statements. Explain the variances.					
J. Pollution Remediation Obligation					

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1. For contaminated or polluted sites, determine if an obligating event has occurred requiring the RIZ 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:	C,D,E				
a. deduction 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.	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.	E				
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					

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<p><u>CONCLUSION:</u></p> <p>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.</p> <p>Incharge _____ Date _____</p> <p>Manager _____ Date _____</p> <p>Independent Reviewer _____ Date _____</p>					