

**ENTITY** 2021 Audit Programs

June 30, 2021

**FUND BALANCE/NET POSITION**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<b>Audit Objectives and Related Assertions:</b> <b>A. All and only properly authorized restrictions and commitments of the fund balance are recorded. (1,2,3)</b> <b>B. Components of fund balances are determined in accordance with state and local regulations and requirements. (2)</b> <b>C. Components of fund balances and changes in fund balances are properly computed and are described, classified and disclosed appropriately in the entity wide and/or fund financial statements. (2,4,10,11,12,13)</b> <b>Audit Procedures:</b> A. Obtain or prepare a fund balance workpaper and reconcile beginning and year-end fund balance. (Note: For convenience, the term "fund balance" is used in this section as a broad term to describe all components of fund equity. Fund equity of proprietary fund types consist of net position, which may have restricted and unrestricted components.) 1. Reconcile beginning fund balances to prior year audited balances. Determine if any prior period adjustments are needed and determine if they meet GAAP criteria for recognition. B. Analyze and verify the changes in all fund balances and trace to supporting documentation as applicable. C. Determine each fund is properly classified by type in accordance with GASB Statement No. 54. D. Determine the proper classification of fund balances in the fund financial statements: 1. Nonspendable: a. Inventories. b. Prepaids. c. Long-term amounts of loans/notes receivable. d. Property acquired for re-sale. e. Permanent endowments or permanent funds (non-spendable portion).					
	A,C				
	A,B, C				

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<p>2. Restricted:</p> <p>a. External restrictions (for example, special levies, LOST, bond covenants or State legislation).</p> <p>b. Enabling legislation (authorizes governing body to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement the resources be used only for specific purposes).</p> <p>c. If the Entity is a <b>Community School District</b> or <b>Area Education Agency</b>, obtain a breakdown of categorical funding for note disclosure.</p> <p>3. Committed – Amounts only available to be used for specific purposes determined by a formal action (ordinance or resolution) by the Governing Body (for example: City Council/Board of Supervisors) prior to year-end.</p> <p>4. Assigned – Amounts constrained by the Governing Body's intent to be used for specific purposes, but are neither restricted nor committed.</p> <p>5. Unassigned.</p>					
<p>E. Determine the proper classification of net position in the entity-wide financial statements:</p> <p>1. Net investment in capital assets.</p> <p>2. Restricted net position:</p> <p>a. External restrictions (for example, special levies, local option sales tax (LOST), bond covenants or State legislation).</p> <p>b. Enabling legislation (internal restrictions made by the governing body).</p> <p>c. If permanent endowments or Permanent Funds are included in restricted net position, restricted net position should be displayed as expendable and nonexpendable.</p> <p>3. Unrestricted net position.</p>	B				
<p>F. Determine restrictions, commitments and assignments of fund balances were properly authorized based on review of the minutes, debt agreements, etc. (i.e. amounts maintained in a trust fund for closure/postclosure financial assurance should be recorded as restricted assets.)</p>	A				

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G. If the Entity is a <b>Hospital</b> , review changes to net position and determine the following:	C				
1. Transfers from restricted funds are in accordance with restrictive covenants.					
2. Transfers from restricted to unrestricted funds have been properly recorded for additions to property and equipment financed by restricted resources.					
H. If the Entity is a <b>County</b> and REAP funds are recorded in the General Fund, determine the REAP balance is properly recorded as a restricted fund balance.	A,B				
I. If the Entity is a <b>Community School District</b> , reconcile the Certified Annual Report (CAR) balances and selected line items with the District's ledgers.					
1. Through inquiry and/or scanning records, determine revenues received, such as tuition, federal, state or local grants or other donations for special education purposes have been deducted from the special education expenditures reported. (After these have been deducted, the expenditures reported should be those for resident students only not funded through another source.)					
2. Investigate material variances and discuss with the District. Material variances are corrected as "upward and downward auditor's adjustments" to beginning balances on the subsequent fiscal year's CAR.					
3. Consider report comment recommending contacting the Department of Education regarding errors which could have a permanent effect on the District's unspent balance.					
J. Review funds with deficit balances, determine the nature of the fund and the reason for the deficit. Document findings and determine if a report comment is necessary.	B				
1. For enterprise funds with deficit balances, determine if there is a net earnings violation (book transfers are made to sinking accounts per the bond/note resolution, but if the operating accounts are in a deficit position, the sinking accounts are not back by cash) and comment if appropriate.					
K. Review funds with substantial balances, inquire if there are specific plans and/or commitments for the excess balance. Document findings and determine if a report comment is necessary.	B				

