

ENTITY 2023 Audit Programs**CAPITAL ASSETS****(Complete for all entities except**

June 30, 2023

Community College, Hospital, Cash City and Cash Landfill)

| PROCEDURE | OBJ. | DONE BY | W/P REF | N/A | REMARKS |
|---|-------------|--------------------|--------------------|------------|----------------|
| Audit Objectives and Related Assertions: | | | | | |
| A. Capital assets represent a complete and valid listing of the capitalizable cost of assets purchased, constructed or leased by the Entity and the capital assets are physically on hand. (1,2,3,4) | | | | | |
| B. "Additions" or capital expenditures represent a complete and valid listing of the capitalizable cost of the property, equipment and infrastructure acquired during the period. (1,2,3,4) | | | | | |
| C. "Deletions" of capitalized costs and, if applicable, related depreciation/amortization associated with all sold, abandoned, damaged or obsolete capital assets have been removed from the accounts. (1,2,3,4) | | | | | |
| D. Depreciation/amortization and the related allowance account has been computed on an acceptable basis consistent with that used in the prior year. (4,7) | | | | | |
| E. Capital expenditures and capital assets are properly classified in the financial statements and related disclosures are adequate. (10,11,12,13) | | | | | |
| Audit Procedure: | | | | | |
| A. Obtain a reconciliation of capital asset activity and, if the Entity is a County , the County Engineer's infrastructure reports for the year. | | | | | |
| B. Document the capitalization policy for each class of asset. | | | | | |
| C. Additions: | B | | | | |
| 1. Trace a selection of capital asset additions to supporting documentation. | | | | | |
| 2. Determine that addition was properly approved. | | | | | |
| 3. Determine that classification as an asset, rather than repair and maintenance expense, is consistent with Entity policy. | | | | | |
| 4. Determine that addition meets the capitalization threshold. | | | | | |
| 5. Determine the asset was recorded to the appropriate expenditure function. | | | | | |

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| 6. Search for unrecorded capital asset and infrastructure additions by reviewing expenditure activity, Board/Council minutes, IDOT annual report and farm-to-market reports, where applicable. Trace additions identified to the disbursements/expenditures/expenses journal. 7. For gifts and donations, determine or review the method of valuation. 8. Determine the amount of revenue to be recorded as contributions from other governments for the addition of capital assets acquired through expenditures made by other governments. 9. Analyze the capital projects payments to determine the completeness of capital asset additions and discuss with the Entity whether uncapped payments should be reclassified to repair and maintenance. 10. For construction in progress, determine and document the status at year-end. | | | | | |
| D. Deletions: 1. Trace a selection of capital asset deletions to supporting documentation. 2. Trace to authorization. If applicable, trace to the approval in the minutes. 3. Trace proceeds to receipt/revenue journal. 4. Determine the gain/loss on disposal of capital assets. | C | | | | |
| E. Existence and completeness of capital asset listing. 1. Select additions and/or other items to trace from the listing to the actual asset. 2. Select items to trace from the actual asset to the listing. | A | | | | |
| F. Foot additions, deletions and capital asset listing. | A,B,C, D | | | | |

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| <p>G. Depreciation/amortization:</p> <ol style="list-style-type: none"> 1. Document depreciation/amortization policy and useful lives used by each class of asset. 2. Determine if depreciation/amortization methods and useful lives are consistently applied. 3. Verify mathematical accuracy. 4. Test computation of depreciation/amortization expense and extension of accumulated depreciation/amortization. 5. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations. 6. If the depreciation/amortization schedule is prepared by the auditor, determine independence has not been impaired. | D | | | | |
| <p>H. Determine the Entity recorded intangible assets in accordance with GASB 51. Examples of intangible assets include computer software, easements, land use rights, patents, trademarks and copyrights.</p> <ol style="list-style-type: none"> 1. For internally generated intangible assets, determine only outlays related to the development of the asset incurred subsequent to meeting all of the following criteria were capitalized: <ol style="list-style-type: none"> a. Determination of the specific objective of the project and nature of the service capacity expected b. Demonstration of technical or technological feasibility for completing the project c. Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset. <p>(Outlays incurred prior to meeting the above criteria should be expensed)</p> 2. For internally generated computer software, determine outlays are expensed or capitalized based on the nature of the activity: <ol style="list-style-type: none"> a. preliminary project stage outlays are expensed. | A,B,C, D,E | | | | |

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| <ul style="list-style-type: none"> b. application and development stage outlays are capitalized but cease no later than when the computer software is complete and operational. c. post implementation/operation stage outlays are expensed. 3. Analyze useful lives of intangible assets and test the amount of amortization applied to the assets. <ul style="list-style-type: none"> a. Verify the useful life does not exceed contractual or legal provisions of the intangible asset. b. Determine intangible assets with indefinite useful lives were not amortized. I. Determine the Entity has complied with GASB 60 for any service concession arrangements. J. Leases: <ul style="list-style-type: none"> 1. Obtain lists of all potential leasing arrangements identified by the Entity. <ul style="list-style-type: none"> a. Obtain supporting documentation for the arrangements including contracts and any subsequent modifications to contracts. b. Document management's conclusion regarding whether arrangement contains a lease. c. Identify key terms from each leasing arrangement. d. Document discount rate selected for initial measurement. e. Review management's calculations and document conclusions on status of lease agreements. 2. Prepare journal entries to record asset and amortization. | A | | | | |

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| <p>3. For all significant leases, perform the following procedures:</p> <p>a. Obtain an analysis of lease contracts separated by class of asset, if appropriate, including those that exited at the end of the prior year and any new lease contracts, showing the balance of lease assets and lease liabilities at the beginning and end of the period, and the related amortization and interest expense.</p> <p>b. Test the clerical accuracy of the analysis. Trace the opening balances to the adjusted prior year working trial balance and the ending balances to current year working trial balances. Review any reconciliation to the general ledger and investigate any unusual reconciling items.</p> <p>c. Compare and document balances in the lease liability accounts and related interest expense with those of prior years or other expectations.</p> <p>d. Compare and document balances in the lease asset accounts and the related amortization with those of prior years or other expectations.</p> <p>e. Investigate any unexpected results considering known changes in client operations.</p> <p>4. For any leases that were not tested in a prior audit or were significantly modified in the current period, perform the following:</p> <p>a. Determine that the contract contains a lease as defined in GASBS No. 87 and that the governmental unit has identified the separate lease components and non-lease components, if any, within each contract and has allocated consideration in the contracts to each separate component of the contract.</p> <p>b. Consider whether to confirm significant lease obligations and related lease provisions.</p> <p>5. Determine that leases have been appropriately classified as a lease or a financed purchase and the initial measurement of the lease assets and lease liabilities and other financing sources and expenditures, if applicable are in accordance with GASBS No. 87.</p> | | | | | |

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| <p>6. Inquire about whether any major sales of capital assets were sale-leaseback transactions. If so, determine the propriety of accounting for those transactions.</p> <p>7. Evaluate whether any modifications to the lease during the period are appropriately accounted for as changes to an existing lease contract or as a separate lease contract and any other circumstances have occurred that require the lessee to remeasure the lease liability.</p> <p>K. Subscription Based Information Technology Arrangements (SBITA) and Public Private Partnerships (P3). Examples include but not limited to: accounting software, Microsoft Office 365, GIS mapping. P3 – toll roads, toll bridges, golf courses, bussing systems:</p> <p>1. Obtain lists of all potential agreements identified by the Entity as of the adoption date of GASBS No. 94 and 96.</p> <p>a. Obtain supporting documentation for the arrangements including contracts and any subsequent modifications to contracts.</p> <p>b. Document management's conclusion regarding whether arrangement contains a SBITA or P3.</p> <p>c. Identify key terms from each SBITAs or P3.</p> <p>d. Document how discount rate was selected for initial measurement.</p> <p>e. Review management's calculations and document conclusions on status of SBITAs or P3.</p> <p>2. Prepare journal entries to record asset and amortization.</p> <p>L. 3. For all significant agreements, perform the following procedures:</p> <p>a. Obtain an analysis of the agreements including those that existed at the end of the prior year and any new agreements, showing the balance of assets and liabilities at the beginning and end of the period, and the related amortization and interest expense.</p> | | | | | |

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| <ul style="list-style-type: none"> b. Test the clerical accuracy of the analysis. Trace the opening balances to the adjusted prior year working trial balance and the ending balances to current year working trial balances. Review any reconciliation to the general ledger and investigate any unusual reconciling items. c. Compare and document balances in the liability accounts and related interest expense with those of prior years or other expectations. d. Compare and document balances in the asset accounts and the related amortization with those of prior years or other expectations. e. Investigate any unexpected results considering known changes in client operations. | | | | | |
| <ul style="list-style-type: none"> 4. For any agreements that were not tested in a prior audit or were significantly modified in the current period, perform the following: <ul style="list-style-type: none"> a. Determine that the contract contains a SBITA or P3 as defined in GASBS No. 94 or 96 and that the governmental unit has identified the separate components and non-components, if any, within each contract and has allocated consideration in the contracts to each separate component of the contract. b. Consider whether to confirm significant obligations and related provisions. 5. Determine that agreements have been appropriately classified as a SBITA or P3 and the initial measurement of the assets and liabilities and other financing sources and expenditures, if applicable, are in accordance with GASBS No. 94 and 96. 6. Evaluate whether any modifications to the agreements during the period are appropriately accounted for as changes to an existing SBITA or P3 or as a separate SBITA or P3 and any other circumstances have occurred that require the agreement to remeasure the liability. | | | | | |
| L. If the Entity is an Area Education Agency, test the valuation of library materials. | A | | | | |

