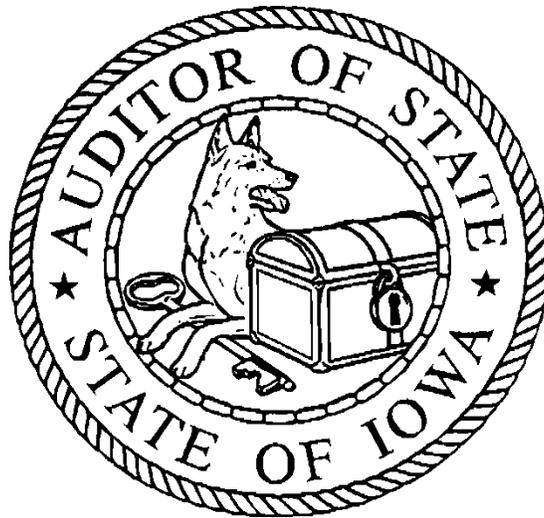


# **CITY ACCRUAL AUDIT PROGRAM GUIDE**

**(for use in conjunction with the City Audit Program Guide)**

For the year ended June 30, 2016



MARY MOSIMAN, CPA  
AUDITOR OF STATE

**CITY**     **Sample City Accrual**    

**June 30, 2016**

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**TRIAL BALANCE**

| PROCEDURE   | OBJ. | DONE<br>BY | W/P<br>REF | N/A | REMARKS |
|---|------|------------|------------|-----|---------|
| <b>Audit Objective and related assertion:</b>   |      |            |            |     |         |
| <b>A. Provide a document which links the report or financial statements to supporting workpapers. (12)</b>  |      |            |            |     |         |
| <b>Audit Procedures:</b>  |      |            |            |     |         |
| A. Record, as necessary, accrual activity and adjusting journal entries.  | A    |            |            |     |         |
| 1. The adjusting journal entries should be consolidated on a separate page, numbered, briefly explained or described and referenced to supporting workpapers.   |      |            |            |     |         |
| 2. Determine amounts due to/from Agency Funds are eliminated and recorded as cash adjustments.  |      |            |            |     |         |
| 3. Obtain and document the City's approval of and concurrence for adjusting journal entries.  |      |            |            |     |         |
| 4. Reconcile reversing journal entries with prior year report.  |      |            |            |     |         |
| B. Prepare closing entries for each fund, if applicable.  | A    |            |            |     |         |
| C. Prepare cashflow worksheets for proprietary funds. The worksheets should reconcile the changes in assets, liabilities and fund equity and the operating statement activity to the cash flows for each fund. Reference the amounts on the cashflow worksheets to supporting workpapers. | A    |            |            |     |         |
| D. Record full accrual entries for the entity-wide statements.  | A    |            |            |     |         |
| 1. The entries should be briefly explained or described and referenced to supporting workpapers. Information should be sufficient to prepare a reconciliation between the fund financial statements and the entity-wide financial statements.   |      |            |            |     |         |
| 2. Reconcile reversing journal entries with prior year report.  |      |            |            |     |         |
| 3. Allocate Internal Service Funds net profit/loss to the functions benefited from the services provided.   |      |            |            |     |         |
| 4. Obtain the City's concurrence for the full accrual journal entries.  |      |            |            |     |         |
| 5. Prepare journal entries necessary to restate the beginning of the year balance to full accrual.  |      |            |            |     |         |
| 6. Eliminate interfund governmental activity, including interfund receivables and payables and transfers.   |      |            |            |     |         |
| 7. Review receipt classifications for proper reporting in the entity-wide financial statement.  |      |            |            |     |         |



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**INVESTMENTS**

| <b>PROCEDURE</b>  | <b>OBJ.</b> | <b>DONE BY</b> | <b>W/P REF</b> | <b>N/A</b> | <b>REMARKS</b> |
|---|-------------|----------------|----------------|------------|----------------|
| <p><b>Audit Objectives and related assertions:</b></p> <p><b>A. Investment values, income, gains or losses are stated correctly and allocated properly to funds. (4,7,9)</b></p> <p><b>Audit Procedure:</b></p> <p>A. Determine investments are reported at fair value in accordance with GASB 72. The change in fair value is recorded as net increase (decrease) in the fair value of investments.</p> <ol style="list-style-type: none"> <li>1. When an active market does not exist for investments, determine the method of estimating fair value and evaluate the propriety of fair value measurements in accordance with AU-C 540 (Characteristics of an inactive market include few transactions, prices are not current, price quotations vary substantially or little information is released publicly).</li> <li>2 Determine the proper application of the fair value hierarchy input level for each investment in accordance with GASB 72 as follows:               <ol style="list-style-type: none"> <li>a. Level 1 inputs – quoted prices in active markets for identical assets.</li> <li>b. Level 2 inputs – significant other observable inputs such as quoted prices for similar assets in active markets, quoted prices for identical assets in markets that are not active or other than quoted prices that are observable such as prices using a matrix pricing model.</li> <li>c. Level 3 inputs – significant unobservable inputs using the best information available.</li> </ol> </li> </ol> <p>B. If the City uses pricing services or brokers to obtain fair value measurements, determine the City has determined those prices have been developed in accordance with GASB 72.</p> <p><u>ALTERNATE/ADDITIONAL PROCEDURES:</u></p> <p><u>CONCLUSION:</u></p> <p>We have performed procedures sufficient to achieve the audit objectives for investments 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> | <p>A</p>    |                |                |            |                |

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**RECEIVABLES/DEFERRED OUTFLOWS**

| PROCEDURE   | OBJ.   | DONE BY | W/P REF | N/A | REMARKS |
|---|--|---------|---------|-----|---------|
| <p><b>Audit Objectives and related assertions:</b></p> <p><b>A. Accounts receivable are valid and have been billed in the proper amounts for services rendered. (1,2,4)</b></p> <p><b>B. Accounts receivable include all amounts still owed for activities through the end of the period. (3)</b></p> <p><b>C. An adequate allowance for uncollectible accounts has been established and revenue, accounts receivable and related disclosures are adequate and properly presented in the financial statements. (4,10,11,12,13)</b></p> <p><b>D. Deferred outflows of resources are properly recorded and supported. (2,4,10,11,12,13)</b></p> <p><b>Audit Procedures:</b></p> <p>A. Obtain or prepare schedules of receivables.</p> <p>1. The schedules should include:</p> <p>a. Property and other tax receivable.</p> <p>b. Accounts receivable.</p> <p>c. Succeeding year property tax receivable (GASB 33).</p> <p>d. Accrued interest.</p> <p>e. Amounts due from other governments, including grants.</p> <p>f. Amounts due from other funds.</p> <p>g. Special assessments.</p> <p>h. Utility billings receivable.</p> <p>i. Unbilled usage receivable.</p> <p>j. Other (list):</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>2. Reconcile receivables to the trial balance.</p> <p>3. Confirm material receivables, if applicable, and investigate any discrepancies.</p> <p>4. Document reason(s) for not confirming, such as not effective.</p> <p>B. Alternative procedures to confirmation:</p> <p>1. Perform tests to verify receivables represent goods/ services performed prior to June 30.</p> <p>2. Trace receivables to subsequent receipt and deposit.</p> <p>C. Test deposits made in the next year to determine if amounts should have been recorded as a receivable in the current year.</p> <p>D. Determine interfund receivables and payables reconcile and trace to approvals.</p> <p>E. Determine the necessity for or adequacy of the allowance for doubtful accounts.</p> | <p>A,B</p> <p>A</p> <p>B</p> <p>A,B</p> <p>C</p> |         |         |     |         |





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**June 30, 2016**

**INVENTORY**

| PROCEDURE   | OBJ. | DONE BY | W/P REF | N/A | REMARKS |
|---|------|---------|---------|-----|---------|
| <p><b>Audit Objectives and related assertions:</b></p> <p><b>A. Inventory recorded represents a complete listing of materials and supplies owned by the City and such assets are physically on hand. (1,2,3)</b></p> <p><b>B. Inventory listings are accurately priced, extended, footed and summarized and the totals are properly reflected in the accounts. (4)</b></p> <p><b>C. Inventory is properly classified by fund type in the financial statements and disclosure is made of related equity reserve, if appropriate. (10,11,12,13)</b></p> |      |         |         |     |         |
| <p><b>Audit Procedures:</b></p>   |      |         |         |     |         |
| <p>A. Inventory Observation</p> <ol style="list-style-type: none"> <li>1. Test count a selection of items. Count items of larger dollar and quantity amounts.</li> <li>2. Trace amounts of inventory per listing to amounts on hand.</li> <li>3. Trace amounts of inventory on hand to amounts on listing.</li> <li>4. Obtain cut-off information.</li> <li>5. Document any reason(s) inventories were not observed.</li> </ol>   | A    |         |         |     |         |
| <p>B. Obtain a final inventory listing at June 30 and trace auditor's counts into this listing.</p> <ol style="list-style-type: none"> <li>1. Foot listing and test extensions of selected items for mathematical accuracy.</li> <li>2. Review list for reasonableness.</li> <li>3. Evaluate cut-off procedures.</li> </ol>   | A,B  |         |         |     |         |
| <p>C. Price Tests</p> <ol style="list-style-type: none"> <li>1. Determine inventory valuation method.</li> <li>2. Make a list of inventory items to be price tested and request City to locate invoices.</li> <li>3. Verify unit costs of inventory items selected.</li> <li>4. If applicable, trace to perpetual records.</li> </ol>   | B    |         |         |     |         |
| <p>D. 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.</p>  |      |         |         |     |         |
| <p>E. Determine whether inventories are properly classified and disclosures are adequate.</p>   | C    |         |         |     |         |



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**CAPITAL ASSETS**

| PROCEDURE  | OBJ. | DONE BY | W/P REF | N/A | REMARKS |
|--|------|---------|---------|-----|---------|
| <p><b>Audit Objectives and related assertions:</b></p> <p><b>A. Capital assets represent a complete and valid listing of capitalizable cost of assets purchased, constructed or leased by the City and the capital assets are physically on hand. (1,2,3,4)</b></p> <p><b>B. “Additions” or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment acquired during the period. (1,2,3,4)</b></p> <p><b>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)</b></p> <p><b>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)</b></p> <p><b>E. Capital expenditures and capital assets are properly classified by fund or type of activity in the financial statements and related disclosures are adequate. (10,11,12,13)</b></p> <p><b>Audit Procedures:</b></p> <p>A. Obtain a reconciliation of capital asset activity for the year.</p> <p>B. Document the capitalization policy for each class of asset.</p> <p>C. Additions:</p> <ol style="list-style-type: none"> <li>1. Trace capital asset additions to supporting documentation.</li> <li>2. Determine major additions were authorized by the City Council.</li> <li>3. Determine classification as an asset, rather than repair and maintenance expense, is consistent with City policy.</li> <li>4. Determine the addition meets the capitalization threshold.</li> <li>5. Determine the asset was recorded to the appropriate expenditure function.</li> <li>6. Observe existence of capital asset addition.</li> <li>7. Search for unrecorded asset additions by reviewing expenditure activity and City Council meeting minutes.</li> <li>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.</li> <li>9. For construction in progress, determine and document the status at year-end.</li> </ol> | B    |         |         |     |         |

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**June 30, 2016**

**CAPITAL ASSETS**

| PROCEDURE   | OBJ.          | DONE BY | W/P REF | N/A | REMARKS |
|---|---------------|---------|---------|-----|---------|
| D. Deletions:<br>1. Trace to supporting documentation.<br>2. Trace to authorization.<br>3. Trace proceeds to cash receipts journal.<br>4. Determine the gain/loss on disposal of capital assets.  | C             |         |         |     |         |
| E. Existence and completeness of capital asset listing:<br>1. Select items to trace from the listing to the actual asset.<br>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       |         |         |     |         |
| G. Depreciation/amortization:<br>1. Document depreciation/amortization policy and useful lives used for each class of asset.<br>2. Determine if depreciation/amortization methods and useful lives are consistently applied.<br>3. Verify mathematical accuracy.<br>4. Test computation of depreciation/amortization expense and extension of accumulated depreciation/amortization.<br>5. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.<br>6. If the depreciation/amortization schedule is prepared by the auditor, determine independence has not been impaired.   | D             |         |         |     |         |
| H. Determine the City recorded intangible assets in accordance with GASB 51. Examples of intangible assets include computer software, easements, land use rights, patents, trademarks and copyrights.<br>1. For internally generated intangible assets, determine only outlays related to the development of the asset incurred <u>subsequent</u> to meeting <u>all</u> of the following criteria were capitalized:<br>a. Determination of the specific objective of the project and nature of the service capacity expected.<br>b. Demonstration of technical or technological feasibility for completing the project.<br>c. Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset.<br>(Outlays incurred prior to meeting the above criteria should be expensed as incurred.)<br>2. For internally generated computer software, determine outlays are expensed or capitalized based on the nature of the activity:<br>a. Preliminary project stage outlays are expensed.<br>b. Application and development stage outlays are capitalized but cease no later than when the computer software is complete and operational. | A,B,C,D,<br>E |         |         |     |         |



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**June 30, 2016**

**LIABILITIES/DEFERRED INFLOWS**

| PROCEDURE   | OBJ.                      | DONE BY | W/P REF | N/A | REMARKS |
|---|---------------------------|---------|---------|-----|---------|
| <p><b>Audit Objectives and related assertions:</b></p> <p><b>A. Liabilities/deferred inflows of resources at the statement of net position date are properly supported. (1)</b></p> <p><b>B. Liabilities/deferred inflows of resources are properly authorized, represent the correct amounts of currently payable items in the proper period and reflect all outstanding obligations. (2,3,4)</b></p> <p><b>C. Liabilities/deferred inflows of resources are properly recorded, classified and disclosures are adequate. (10,11,12,13)</b></p> <p><b>Audit Procedures:</b></p> <p>A. Current Liabilities</p> <ol style="list-style-type: none"> <li>1. Obtain or prepare a list of payables and identify amounts as follows:                             <ol style="list-style-type: none"> <li>a. Accounts payable.</li> <li>b. Accrued payroll and payroll taxes.</li> <li>c. Due to other funds.</li> <li>d. Due to other governments.</li> <li>e. Contracts payable (including retainage, if applicable).</li> <li>f. Anticipatory warrants.</li> <li>g. Accrued interest.</li> <li>h. Matured portion of accrued compensated absences for governmental funds.</li> <li>i. Estimated losses from loss contingencies (including incurred but not reported claims relating to self insurance funds).</li> <li>j. Customer deposits payable.</li> <li>k. Matured portion of termination benefits for governmental funds.</li> </ol> </li> <li>1. Other (list):                             <br/>_____                             <br/>_____                             <br/>_____                             <br/>_____                         </li> <li>2. Foot listings for accuracy.</li> <li>3. Test the accuracy and classification of recorded liabilities by examining supporting documentation.</li> </ol> <p>B. Determine if deferred inflows of resources meeting the definition of GASB 65 and GASB 68 have been recorded:</p> <ol style="list-style-type: none"> <li>1. Review the amount(s) recorded for reasonableness.</li> <li>2. Trace the amount(s) to supporting documentation.</li> </ol> | <p>A,B,C</p> <p>A,B,C</p> |         |         |     |         |

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**June 30, 2016**

**LIABILITIES/DEFERRED INFLOWS**

| <b>PROCEDURE</b>   | <b>OBJ.</b> | <b>DONE BY</b> | <b>W/P REF</b> | <b>N/A</b> | <b>REMARKS</b> |
|--|-------------|----------------|----------------|------------|----------------|
| C. Determine if advances (grant/other funds which have been received but not spent in the current period) from grantors/others meeting the definition of GASB 65 have been recorded:<br>1. Review the amount(s) recorded for reasonableness.<br>2. Trace the amount(s) to supporting documentation.  | A,B         |                |                |            |                |
| D. Compensated Absences<br>1. Review the City's policies for earned vacation, sick leave and related FICA/IPERS benefits.<br>2. Obtain a summary of compensated absences at June 30 and foot the summary.<br>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.<br>4. Distinguish between:<br>a. Matured portion for retirements or resignations not paid at June 30 for governmental funds.<br>b. Long term portion:<br>1) Due within one year.<br>2) Due after one year.<br>5. Review for reasonableness.<br>6. Select amounts to test the validity of compensated absences:<br>a. Trace to supporting data.<br>b. Recalculate hourly rate, number of hours earned and unused and extensions.<br>c. Determine appropriateness of charges to various funds. | A           |                |                |            |                |
|  | B           |                |                |            |                |
|  | C           |                |                |            |                |
|  | B           |                |                |            |                |
| E. Long-Term Debt<br>1. Obtain or prepare a schedule of long-term debt, including the following:<br>a. General obligation bonds.<br>b. Lease-purchase agreements/capital leases.<br>c. Installment purchase contracts.<br>d. Judgments and claims.<br>e. Compensated absences:<br>1) Portion due within one year.<br>2) Portion due after one year.<br>f. Termination benefits.<br>g. OPEB.<br>h. Pension(s).<br>i. Nonexchange financial guarantees.  | A           |                |                |            |                |

**CITY Sample City Accrual**

**June 30, 2016**

**LIABILITIES/DEFERRED INFLOWS**

| PROCEDURE  | OBJ. | DONE BY | W/P REF | N/A | REMARKS |
|--|------|---------|---------|-----|---------|
| j. Other (list):<br>_____<br>_____<br>_____  |      |         |         |     |         |
| 2. Determine the reasonableness of the amounts recorded.   | B    |         |         |     |         |
| 3. For lease-purchase agreements/capital leases and installment purchase contracts, determine initial proceeds were recorded as an other financing source and a disbursement was recorded in the proper expenditure account.   |      |         |         |     |         |
| 4. Termination benefits  |      |         |         |     |         |
| a. Review the City's termination benefits plan and determine the plan was properly approved.   |      |         |         |     |         |
| b. Obtain or prepare a list of employees eligible for termination benefits under the plan and the amount of the City's current year expense and liability as of June 30.   | A    |         |         |     |         |
| c. Distinguish between:  | C    |         |         |     |         |
| 1) Matured termination benefits not paid at June 30 for governmental funds.  |      |         |         |     |         |
| 2) Long-term portion: <ul style="list-style-type: none"> <li>. due within one year.</li> <li>. due after one year.</li> </ul>  |      |         |         |     |         |
| d. Select a number of eligible employees under the plan to determine if:   | B    |         |         |     |         |
| 1) the employees meet the requirements noted in the policy.  |      |         |         |     |         |
| 2) the employees were properly approved for participation in the plan.   |      |         |         |     |         |
| 3) the current year expense and liability were properly calculated as of June 30.  |      |         |         |     |         |
| e. Inquire of City personnel about other eligible employees not included in the list.  | B    |         |         |     |         |
| f. Prepare the necessary footnote disclosure, including:   | C    |         |         |     |         |
| 1) A general description of the termination benefit arrangements, including, but not limited to: <ul style="list-style-type: none"> <li>. Information about the type(s) of benefits provided.</li> <li>. The number of employees affected.</li> <li>. The period of time over which benefits are expected to be provided.</li> </ul> |      |         |         |     |         |
| 2) 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.  |      |         |         |     |         |



**CITY** Sample City Accrual

**June 30, 2016**

**FUND BALANCE/NET POSITION**

| PROCEDURE   | OBJ.  | DONE<br>BY | W/P<br>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, as applicable, in the entity wide and/or fund financial statements. (4,10,11,12,13)</b>   |       |            |            |     |         |
| <b>Audit Procedures:</b>  |       |            |            |     |         |
| A. 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.) |       |            |            |     |         |
| B. Analyze and verify the changes in all fund balances and trace to supporting documentation, as applicable.  | A,B   |            |            |     |         |
| C. Determine the proper classification of nonspendable fund balances in the governmental fund financial statements:   | A,B,C |            |            |     |         |
| 1. Inventories.   |       |            |            |     |         |
| 2. Prepaids.  |       |            |            |     |         |
| 3. Long-term amounts of loans/notes receivable.   |       |            |            |     |         |
| 4. Property acquired for re-sale.   |       |            |            |     |         |
| 5. Permanent endowments or Permanent Funds (nonspendable portion).  |       |            |            |     |         |
| D. Determine restrictions, commitments and assignments of fund balances were properly authorized based on review of the minutes, debt agreements, etc.  | A     |            |            |     |         |
| E. Determine the proper classification of net position in the entity-wide financial statements:   | C     |            |            |     |         |
| 1. Net investment in capital assets.  |       |            |            |     |         |
| 2. Restricted net position:   |       |            |            |     |         |
| a. External restrictions (for example, special levies, local option sales tax (LOST), bond covenants or State legislation).   |       |            |            |     |         |
| b. Enabling legislation (internal restrictions made by the governing body).   |       |            |            |     |         |
| c. If permanent endowments or Permanent Funds are included in restricted net position, restricted net position should be displayed in two components (expendable and nonexpendable).  |       |            |            |     |         |
| 3. Unrestricted net position.   |       |            |            |     |         |
| F. Determine fund balance disclosures are adequate.   | C     |            |            |     |         |
| G. 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.   |       |            |            |     |         |



**CITY**    Sample City Accrual

**June 30, 2016**

**INSURANCE AND SELF INSURANCE**

| PROCEDURE  | OBJ. | DONE<br>BY | W/P<br>REF | N/A | REMARKS |
|--|------|------------|------------|-----|---------|
| <p>NOTE: This section should be used for GAAP cities in place of the "Insurance and Self Insurance" section in the City audit program.</p> <p><b>Audit Objectives and related assertions:</b></p> <p><b>A. Claims paid in the period are recorded correctly as to account, amount and period and are disbursed in accordance with the City's policies and procedures for claims settlement. (5,6,7,8)</b></p> <p><b>B. Reserves for claim losses represent a reasonable estimate of the City's liability for claims filed and incurred but not reported (IBNR) claims. (1,2,3,4)</b></p> <p><b>C. Insurance (self-insurance) revenues, transfers, expenditures, assets, liabilities and fund equity (net position) are properly classified and described in the fund financial statements and related disclosures are adequate. (9,10,11,12,13)</b></p> <p><b>Audit Procedures:</b></p> <p>A. Inquire about the City's policies and procedures for administering and financing insurance claims, including whether insurance policies are carried for complete coverage of some or all risks or only for excess liabilities.</p> <p>B. Prepare a workpaper to summarize amount and type of significant coverage. Review coverage to:</p> <ol style="list-style-type: none"> <li>1. Determine if reasonable and current.</li> <li>2. Determine significant areas in which risk is retained.</li> </ol> <p>C. If a separate insurance fund has been established, consider analytical procedures, such as comparing claims disbursements/expenditures and other fund transactions (i.e. employee contributions, insurance premiums and administrative fees) to the prior period actual and relate to the number of covered employees (if applicable).</p> <p>D. Review charges by the insurance fund to other funds and determine if they are in accordance with GASB 10 (GASB Codification, Section C50.122-126).</p> <ol style="list-style-type: none"> <li>1. If a Governmental Fund is used, may use any method to allocate loss expenditures/expenses to other funds of the City. Transactions constituting reimbursements to the Governmental Fund for expenditures/expenses initially made from it properly applicable to another fund should be reported as expenditures or expenses in the reimbursing fund and as reductions of the expenditure/ expense in the Governmental Fund.</li> </ol> |      |            |            |     |         |
|  | C    |            |            |     |         |
|  | A    |            |            |     |         |
|  | A    |            |            |     |         |

**CITY** Sample City Accrual

**June 30, 2016**

**INSURANCE AND SELF INSURANCE**

| <b>PROCEDURE</b>  | <b>OBJ.</b> | <b>DONE<br/>BY</b> | <b>W/P<br/>REF</b> | <b>N/A</b> | <b>REMARKS</b> |
|---|-------------|--------------------|--------------------|------------|----------------|
| <p>2. If an Internal Service Fund is used, may use any basis considered appropriate to charge other funds as long as the total charge is either calculated in accordance with the criteria of GASB Codification, Section C50.110-118 or is based on an actuarial method or historical cost information and adjusted over a reasonable period of time. If the latter method is used (actuarial method or historical cost information method), an additional charge may be made to other funds representing a reasonable provision for expected future catastrophic losses. Charges (billings) should be recognized as revenue by the Internal Service Fund and as expenditures/expenses by the other funds.</p> <p>3. For either the General Fund, a Special Revenue Fund or an Internal Service Fund, billings in excess of the accrual should be accounted for as transfers.</p> <p>E. Review estimates of losses from claims with a responsible official and determine if the estimate is properly recorded as an expenditure/expense and liability. Estimates should include:</p> <ol style="list-style-type: none"> <li>1. Reported claims meeting the criteria of GASB Codification, Section C50.110-118.</li> <li>2. Incurred but not reported (IBNR) claims meeting the criteria of GASB Codification, Section C50.113-114. Determine the basis used to estimate IBNR claims is reasonable.</li> <li>3. If the City participates in a public entity risk pool and is subject to a supplemental premium assessment, an accrual should be made if the likelihood of such assessment meets the criteria of GASB Codification, Section C50.132.</li> <li>4. If the City participates in a public entity risk pool but is not subject to a supplemental premium assessment, review economic viability of pool with a responsible official and determine if a liability should be recorded based on certain conditions.</li> <li>5. If the City participates in a public entity risk pool, inquire of a responsible official about the City's plans for continuing its participation in the pool. If the City has plans to terminate its membership, determine if additional liabilities should be recorded based on terms of the agreement to participate.</li> </ol> | B           |                    |                    |            |                |
| <p>F. If the City has a self-funded health insurance plan, including self-funded deductibles:</p> <ol style="list-style-type: none"> <li>1. Obtain a copy of the actuarial report required by Chapter 509A.15 of the Code of Iowa.</li> <li>2. Examine the report to determine the reasonableness of reserves. Determine if an additional liability should be recorded in the City's financial statements.</li> </ol>   | B           |                    |                    |            |                |

**CITY Sample City Accrual**

**June 30, 2016**

**INSURANCE AND SELF INSURANCE**

| <b>PROCEDURE</b>   | <b>OBJ.</b> | <b>DONE<br/>BY</b> | <b>W/P<br/>REF</b> | <b>N/A</b> | <b>REMARKS</b> |
|--|-------------|--------------------|--------------------|------------|----------------|
| <p>G. If an outside administrator or service company is used:</p> <ol style="list-style-type: none"> <li>1. Obtain a copy of the annual report on the status of the program.</li> <li>2. Review report for estimates of liabilities for claims filed and IBNR claims.</li> <li>3. Compare report with prior periods and discuss any unusual variances with a responsible official.</li> <li>4. Compare amounts in report with recorded estimated liabilities.</li> </ol>   | A,B         |                    |                    |            |                |
| <p>H. Determine the the adequacy of financial statement presentation and disclosures.</p> <ol style="list-style-type: none"> <li>1. Financial statement presentation considerations should include:                     <ol style="list-style-type: none"> <li>a. If a single fund is used to record risk financing activities, it should be either the General Fund, a Special Revenue Fund or an Internal Service Fund.</li> <li>b. Loss liabilities for governmental and Special Revenue Funds should be recognized using the modified accrual basis of accounting (i.e. current portion recorded as an expenditure and fund liability and long-term portion recorded in the entity-wide financial statements).</li> <li>c. Loss liabilities for an Internal Service Fund (or other proprietary funds) should be recorded as a fund liability of the Internal Service Fund (or other proprietary funds).</li> <li>d. For Internal Service Funds, any net position arising from an optional additional charge for catastrophic losses should be reported as designated.</li> <li>e. If the City participates in a public entity risk pool in which there is no transfer of risk to the pool or pool participants, contributions to the pool should be reported as either deposits (if not expected to pay claims) or as reductions of claims liability (if used to pay claims) in accordance with GASB 10 (GASB Codification, Section C50.135) and Statement of Position (SOP) 98-7.</li> <li>f. If the City made contributions to a public entity risk pool with transfer or pooling of risk:                             <ol style="list-style-type: none"> <li>1) Determine contributions are recorded as deposits if a return of those contributions is probable.</li> <li>2) If not probable, determine contributions are recorded as prepaid insurance to be allocated as expenditures/expenses over future periods <u>or</u> alternatively, in governmental funds, as expenditures in the period made.</li> </ol> </li> </ol> </li> </ol> | C           |                    |                    |            |                |



**CITY**                     **Sample City Accrual**

**June 30, 2016**

**OPINION, DISCLOSURES AND  
OTHER REPORT INFORMATION**

**(GAAP Basis City)**

A. Independent Auditor’s Report on the financial statements:

1. Type of opinion rendered for each opinion unit and reason for modification of opinion, if applicable:

|  |   |   |   |   |
|--|---|---|---|---|
| Governmental Activities                        | U | Q | D | A |
| Business Type Activities                       | U | Q | D | A |
| Major Fund – General                           | U | Q | D | A |
| Major Fund -                                   | U | Q | D | A |
| Major Fund -                                   | U | Q | D | A |
| Major Fund -                                   | U | Q | D | A |
| Major Fund -                                   | U | Q | D | A |
| Major Fund -                                   | U | Q | D | A |
| Aggregate Remaining Fund Information           | U | Q | D | A |
| Aggregate Discretely Presented Component Units | U | Q | D | A |

2. Reliance on opinion of other auditors properly included in the Independent Auditor’s Report      Y      N      N/A

3. Required Supplementary Information (RSI) - Disclaim an opinion on the unaudited information (AU-C 730) (check applicable):

MD&A       Budgetary Comparison       OPEB - Funding Progress  
 Proportionate Share of Net Pension Liability       Contribution Schedule  
 Other \_\_\_\_\_

4. Supplementary information (SI) accompanying basic financial statements – Include an “in relation to” opinion (AU-C 725) (check if applicable):

Schedules #1 to #\_\_\_ (including SEFA Schedule – Y or N/A)

Prior year information audited by whom and type of opinion(s) rendered (for multiple opinions, please describe in the space below):

Years:

|                      |   |   |   |   |
|----------------------|---|---|---|---|
| _____ AOS            | U | Q | D | A |
| _____ Other auditors | U | Q | D | A |

5. Other information (OI) (Normally applicable only for CAFR audits) – Disclaim an opinion on the unaudited information (AU-C 720) (check applicable):

Introductory section       Statistical section  
 Other \_\_\_\_\_