

Step No.	Assertion	Procedure for Consideration	Done By	Date Comp.	
1.		<b>Trial Balance</b> Note: Testing the trial balance is a mandatory procedure, per AOSAM 31600.27(g).			
a.	[V]	<p>For the initial year of adopting <b>GASB 34</b>:</p> <ol style="list-style-type: none"> <li>1. Agree prior year GAAP adjustments (i.e., reversing entries) to each fund=s trial balance. Generally, all balance sheet and activity statement amounts from the prior year should be reversing entries on the current year funds= trial balances.</li> <li>2. Agree beginning of year full-accrual entries posted to governmental funds= statements to underlying support.*</li> <li>3. Assess the nature and reasonableness of the full accrual vs. modified accrual entries in the governmental funds= trial balances. Determine that modified accrual entries generally reflect only current assets and liabilities.</li> <li>4. Determine that full accrual entries generally include noncurrent assets (e.g., formerly GFAAG assets) and noncurrent (e.g., formerly GLTDAG) liabilities.</li> <li>5. Determine that beginning-of-year accumulated depreciation amounts have been entered onto the full accrual trial balances.</li> <li>6. Determine that infrastructure (less accumulated depreciation unless the modified approach is used) has been posted to the full accrual trial balances.</li> </ol> <p>* Agreeing to underlying support entails not only agreeing the amount to a lead or summary schedule, but also evaluating whether the entry meets the criteria for full accrual under the accounting principle applicable to it.</p>			

1.b	[V]	<p>For <b>GASB 34</b> statements:</p> <ol style="list-style-type: none"> <li>1) A Crossfoot * the combined fund and entity-wide trial balances.</li> <li>2) Agree differences between GTA totals and combined governmental fund totals to the reconciliation require by GASB 34 paragraphs 77, 85, 90 and 104.</li> <li>3) Trace material reconciling items from step 2 to full-accrual adjustments posted to governmental fund trial balances and to underlying support. (See asterisk in step b. above regarding underlying support.)</li> <li>4) Determine there are no material unexplained differences, such as large unexplained balances classified as Aother, or A plugs.</li> <li>5) The proprietary funds= totals will normally = the BTA columns. (If the amounts do not agree, determine if the differences are allowable under GASB 34, par. 104, and whether the differences are adequately summarized in a reconciliation per par. 77.)</li> </ol> <p>* Automated trial balance spreadsheets often crossfoot through linked formulas. We should recompute selected totals and subtotals and review the formulas.</p>			
-----	-----	---	--	--	--

2.	C,V,E, [R]	<p><b>Test initial additions of infrastructure</b> (these steps should normally apply in the initial year of adding a network or networks.)</p> <p>1. Steps <b>A</b>, <b>B</b> &amp; <b>Z</b> above can also apply to the initial capitalization of infrastructure in GASB 34 statements. However, these steps are not always practical, since records supporting the cost of older infrastructure may not exist. In these instances, we must use judgment and alternative methods to estimate cost. See <b>Establishing Historical Cost or Estimated Historical Cost</b> in Bulletin 2001-08. We should expect amounts presented to be reasonable, but should not expect high precision in valuing these assets.</p>			
	N/A	<p>2. If we rely on the government's engineer or other specialist for valuing infrastructure, document <b>Using the Work of a Specialist, Step X</b> in the Planning section and <b>Step Z</b> in the Other Procedures section of this program.</p> <p>Important: If the client compiles infrastructure without assistance from an engineer or other qualified specialist, consider whether we should engage or consult with an independent specialist to corroborate the client's work.</p>			
	C	<p>3. <b>Test completeness of infrastructure from independent sources:</b> List selected highways, bridges, etc. from maps or other independent sources. Trace to inclusion on the infrastructure listing.</p>			
	C	<p>4. <b>Perform reasonableness tests of the completeness of additions:</b></p> <ol style="list-style-type: none"> <li>1. Consider whether the number of bridges or other large, discrete infrastructure assets is reasonable.</li> <li>2. Consider whether the number of lane miles of roads, feet or miles of storm sewers, etc. is reasonable.</li> <li>3. Determine that infrastructure <b>inventories</b> include assets the government is responsible for <b>managing</b>. For example, refer to the matrix included in Bulletin 2001-08 for roads and bridges.</li> </ol> <p>Compare to maps, use your general knowledge of the government or other sources to form expectations for this analytic.</p>			

3.a		<p>1. Determine whether the depreciation practices followed by the government conform with GAAP and are consistent with the prior year. Such practices may include estimates of useful lives and salvage values, procedures for the depreciation of additions and retirements, and the accounting for fully depreciated assets.</p> <p><b>NOTE:</b> This step is especially important in the initial year of adopting <b>GASB 34</b>. In that year, w/p should document that we determined that:</p> <p>2. Lives assigned to asset classes (buildings, vehicles, etc.) are reasonable.</p> <p>3. Scan fixed asset listings. Assure that material assets (buildings, fleets of vehicles, etc.) are recorded in the proper asset class.</p> <p>4. The accounting system assigns the asset to a function (e.g., a fire truck would be assigned to the public safety function) so that depreciation expense is charged to the proper function(s).</p>			
b.		<p>1. Test depreciation calculations to the extent considered necessary and trace depreciation expense to the trial balance. This can be achieved by recomputing annual depreciation and the change in accumulated depreciation for selected individual assets (using sampling, high dollar testing or other suitable methods), or by recomputing annual depreciation for a class of similar assets.</p> <p>In the initial year of adopting <b>GASB 34</b>, consider additional procedures for GFAAG or infrastructure assets not previously depreciated:</p> <p>2. Determine that fixed asset records record the year of acquisition for assets. Trace selected assets to records supporting the year of acquisition. Focus on high dollar assets (buildings), and the reasonableness of the year assigned (example: it would be unreasonable to list material amounts of vehicles that were 30 years old).</p> <p>3. Recompute <u>accumulated</u> depreciation, as well as current depreciation expense, on selected assets. Consider using high dollar testing, scanning, reasonableness tests.</p>			
c.		<p>Scan the capital asset records, and identify material, fully depreciated assets. Inquire as to whether the assets are still being used (i.e., that they have not been discarded or abandoned). Consider disclosing the amount of fully depreciated assets.</p> <p><i>Note: Fully depreciated assets should remain on the capital asset records as long as they are in use. However, this should infrequently occur, since management should periodically reevaluate asset lives. If an asset will outlive its expected life, management should increase the asset life. Treat this as a change in accounting estimate (see APB 20). These changes require allocating the remaining undepreciated life over the new estimate of remaining life.</i></p>			

4.		<b>Infrastructure using the modified approach</b> (GASB 34, par. 23 B 26 and 340 -- 342. and appendix G-5.)			
a.	<b>C,V,E</b>	<ol style="list-style-type: none"> <li>1. Determine that the government maintains an up-to-date <u>inventory</u> of eligible infrastructure assets. You can satisfy this requirement by applying steps 2 B 4 &amp; 6 above to infrastructure assets. (Capitalizing interest applies only to non-general infrastructure.)</li> <li>2. When examining additions, determine that additions include only new infrastructure, or costs that increase the capacity or efficiency of the asset. That is, a government should not capitalize maintenance or preservation costs. (Preservation costs are those extending the asset=s life.)</li> </ol>			
b.	<b>V</b>	<p>Examine condition assessments. <u>Condition assessments</u> would include documented inspections of material infrastructure assets. These inspections should document the maintenance/preservation requirements of infrastructure in sufficient detail that the government can estimate costs required to maintain/preserve infrastructure at established levels. All infrastructure assets should be assessed at least once every three years. See GASB 34, Appendix G-5.</p> <p>W/P should document:</p> <ol style="list-style-type: none"> <li>1. Who assessed the conditions (see <u>Using the work of a specialist</u> in this program and in SAS 73).</li> <li>2. The dates of the inspections, and how often all assets are inspected. We would expect these inspections may be a continuous process. You need not list every date an asset was inspected, but the w/p should document the general frequency of inspections, and our conclusion regarding whether the <u>3-year</u> requirement is being met.</li> <li>3. Examples of the results of inspections, to help us determine that the inspections provide sufficient information for estimating upcoming maintenance/preservation costs, and in determining that the planned preservation level.</li> <li>4. Whether the assessments support that infrastructure is being preserved at the <u>condition level</u> described in c. below. <ol style="list-style-type: none"> <li>1. Your documentation can include a comparison of estimated preservation costs with preservation costs incurred. You can do this for selected assets, or for summarized information for major networks or subsystems, etc. A significant deficiency of actual maintenance costs less than estimates would suggest assets might not be adequately preserved.</li> <li>2. If practical, inspect selected infrastructure assets and judge whether they generally seems to meet the <u>condition level</u>.</li> </ol> </li> <li>5. A determination that the government summarizes the results of the assessments into a comprehensive maintenance/preservation cost plan / budget.</li> </ol>			

c.	P	<p>Examine the condition level</p> <ol style="list-style-type: none"> <li>1. Determine that the condition level objectively describes an attainable level for infrastructure. Per Q.72 in GASB 34 Imp Guide, objective condition levels would include setting a per cent of lane miles exceeding an upper-end condition level (such as one based on the International Roughness Index. Also see Exhibit 14 on page 213 of the GASB 34 Imp. Guide.).</li> <li>2. Determine that the condition level was established and documented by administrative or executive policy, or by legislative action (GASB 34, par. 23, footnote 17).</li> </ol>			
d.	P	<p>GASB 34, par. 132 &amp; 133 require presenting the assessed condition and other information when using the modified approach as RSI. RSI is unaudited information (per AU 558). However, consider that material misstatement of infrastructure under the modified approach would also affect the audited statements. Therefore, the auditor should perform the above procedures sufficiently to reasonably assure that misstatements to infrastructure do not materially affect the audited statements. These procedures should also help satisfy the requirements of AU 558.07.</p> <p>The minimum requirements of AU 558.07 are:</p> <ol style="list-style-type: none"> <li>a.) Inquire of management about the methods of preparing the information, including: <ol style="list-style-type: none"> <li>1. Whether it is measured and presented within prescribed guidelines;</li> <li>2. whether presentation or measurement methods have changed from the prior period;</li> <li>3. any significant assumptions or interpretations underlying the measurement or presentation.</li> </ol> </li> <li>b.) Compare the information for consistency with: <ol style="list-style-type: none"> <li>1) Management's responses to step a;</li> <li>2) audited financial statements;</li> <li>3) other knowledge the auditor obtains during the financial statement audit.</li> </ol> </li> <li>c.) Obtain written representations regarding this RSI. (Our specimen representation letter includes example language.)</li> <li>d.) Apply additional procedures, if any, that other statements, interpretations, guides or statements of position prescribe for specific types of RSI. (Note: We are aware of no such additional procedures for modified approach RSI.)</li> <li>e.) Make additional inquiries if applying the foregoing procedures causes the auditor to believe that the RSI may not be measured or presented within applicable guidelines. .</li> </ol>			

5.	P	<p><b>For GASB 34 audits, determine whether grants are properly classified as either <u>program</u> or <u>general</u> revenues in the entity wide statement of activity.</b></p> <ol style="list-style-type: none"> <li>1. Refer to paragraph 50 and 34 of GASB 34 for general guidance.</li> <li>2. When tracing material grants from supporting evidence to the trial balance, determine that they appear are properly classified as either <u>program</u> or <u>general</u> grants.</li> <li>3. Generally, resources that cannot be appropriated for any general governmental purpose, due to restrictions imposed by grantors or by enabling legislation, would be deemed program revenues.</li> </ol>			
6.	[V], [P]	<p><b>Determine that the client=s accrual policy complies with GAAP</b></p> <ol style="list-style-type: none"> <li>a.) Compare the client=s accounting policy to the abovementioned guidance for compliance with GAAP.</li> <li>b.) Maintain documentation of the policy and method of compiling the adjustment, in the permanent file.</li> </ol>			
7.	V	<p><b>Assess valuation (Intergovernmental Revenue)</b></p> <ol style="list-style-type: none"> <li>i.) Review, and if necessary, recompute the client calculation of the receivable.</li> <li>ii.) Discuss with management how the client determined that the recognition criteria of GASB 33 were met. <b>Compare grant documents to our intranet intergovernmental revenue spreadsheets to assess the reasonableness of the client=s accrual policy.</b></li> <li>iii.) consider performing this step in conjunction with step (X). above.</li> </ol>			

8.	P	<p><b>Recompute restricted net assets in the GASB 34 entity wide and proprietary fund statements of net assets.</b></p>			
a.		<p>A. Obtain the client=s computation of <u>Invested in capital assets, net of related debt.</u> (Paragraph 33.)</p> <p>B. Test the mathematical accuracy of the computation.</p> <p>C. Agree totals to the entitywide <u>roll up</u> (i.e., trial balances) of BTA and GTA.</p> <p>D. Agree BTA totals to the enterprise funds= trial balances.</p> <p>E. Trace capital asset amounts (net of accumulated depreciation) used in the computation, to capital asset totals on the trial balances.</p> <p>F. Trace debt amounts used in the computation to outstanding balances of bonds mortgages, notes or other borrowing attributable to acquiring, constructing or improving a capital asset. (The debt amounts should agree to similar debt reflected in the trial balances.)</p> <p>G. Determine that all debt included in the computation is related to capital assets.</p> <p>H. Reduce the account for material unspent capital debt proceeds, as well as the related debt.</p>			
b.		<p>A. Obtain the client=s computation of <u>Restricted net assets.</u> (Paragraph 34.)</p> <p>B. Test the mathematical accuracy of the computation.</p> <p>C. Determine the computation follows the full accrual basis. (A useful analytic for this purpose is to determine that material reconciling items in the fund-to-GTA reconciliation required by paragraph 85 are included in the restricted net asset computation).</p> <p>D. Agree totals to the entitywide <u>roll up</u> (i.e., trial balances) of BTA and GTA.</p> <p>E. Agree BTA totals to the enterprise funds= trial balances.</p> <p>F. Determine that material amounts meet the definition of <u>restricted</u> from paragraph 34. (Often, the restriction captions will agree to <u>combined fund type</u> totals, such as restricted for debt service or capital projects.)</p> <p>G. The total presented should not be negative. If the computation results in a negative amount, reduce unrestricted net assets and present no amount for restricted net assets.</p>			

9.a	P	<p><b>Management=s Discussion &amp; Analysis</b></p> <p>Satisfy the minimum requirements of AU 558.07:</p> <p>a.) <b>Inquire of management</b> about the methods of preparing the information, including:</p> <ol style="list-style-type: none"> <li>1) Whether it is measured* and presented within prescribed guidelines;</li> <li>2) whether presentation or measurement methods have changed from the prior period;</li> <li>3) any significant assumptions or interpretations underlying the measurement or presentation.</li> </ol> <p>b.) <b>Compare the information for consistency with:</b></p> <ol style="list-style-type: none"> <li>1) Management=s responses to step a;</li> <li>2) audited financial statements;</li> <li>3) other knowledge the auditor obtains during the financial statement audit.</li> </ol> <p>c.) Obtain written representations regarding MD&amp;A. (Our specimen representation letter includes example language.)</p> <p>d.) Apply additional procedures, if any, that other statements, interpretations, guides or statements of position prescribe for specific types of RSI. (Note: We are aware of no such additional procedures for GASB 34 MD&amp;A.)</p> <p>e.) Make additional inquiries if applying the foregoing procedures causes the auditor to believe that MD&amp;A may not be measured or presented within applicable guidelines.</p> <p>* AU 558 refers to <u>measurement</u> since some RSI require specialized computations (e.g., actuarial measurements for stand-alone pension statements). Normally, no special <u>measurement</u> would apply to GASB 34 MD&amp;A.</p>			
-----	---	--	--	--	--

9.b	P	<p>In addition to the minimum requirements of step 9.a., perform the following:</p> <ul style="list-style-type: none"> <li>a) Foot totals and subtotals.</li> <li>b) Trace amounts to the adjusted entity wide trial balances.</li> <li>c) Trace other financial information to suitable supporting evidence.</li> <li>d) Read the MD&amp;A. Assure it includes all the <u>relevant</u> topics of par. 11. We should not permit the client to discuss topics not listed in par. 11. (GASB 37 states "The information presented should be <u>confined</u> to topics discussed in par. 11. Governments can provide additional details about the required topics. Information that does not relate to the required topics should not be included in MD&amp;A, but may be provided elsewhere, such as in the letter of transmittal or as supplementary information.")</li> <li>e) <u>Determine that MD&amp;A statements are limited to auditable assertions.</u> For example, a statement that "This government expects to eliminate its \$2 million deficit in the upcoming year," may not be auditable. Instead, the government might disclose: "The government adopted a balanced budget for the upcoming year, including amounts budgeted to repay \$2 million in emergency state loans. This budget includes spending cuts totaling 8% compared to the prior year." The preceding assertions are objective, which we can test by reviewing the budget document.</li> <li>f) Assure the w/p include a copy of the final MD&amp;A, cross referenced to the trial balance and other supporting evidence.</li> </ul>			
-----	---	---	--	--	--