

## **Business and Noninstructional Operations**

### **MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS**

In order to oversee the district's financial integrity, the Governing Board desires to have a clear picture of the district's current financial condition readily available at all times. Audits and quality control reviews shall be conducted in accordance with law.

The Superintendent or designee shall ensure that the district's accounting system provides ongoing internal controls and a means of ascertaining whether the district's income and expenditures are in keeping with the adopted budget.

*(cf. 3100 - Budget)*

*(cf. 3300 - Expenditures/Expending Authority)*

*(cf. 3460 - Financial Reports and Accountability)*

The Board recognizes the importance of accurately identifying and valuing district assets in order to help ensure financial accountability and to minimize the risk of loss or misuse. District furniture and equipment with a useful life of more than one year and an initial unit acquisition cost of \$5,000 or more, and improvements that extend life of sites or buildings and have an initial cost of \$15,000 or more shall be considered capital assets.

*(cf. 3440 - Inventories)*

The Superintendent or designee shall determine the estimated useful life of each capital asset and shall calculate and report the estimated loss of value, or depreciation, during each accounting period for all capital assets.

*(Legal Reference: see next page)*

**Business and Noninstructional Operations**

**MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS (continued)**

*Legal Reference:*

**EDUCATION CODE**

*14500-14508 Financial and compliance audits*

*35035 Powers and duties of superintendent*

*35250 Duty to keep certain records and reports*

*41010-41023 Accounting regulations, budget controls and audits*

*41344 Repayment of apportionment significant audit exceptions*

*41609 Legislative intent, attendance accounting audit*

*42600-42604 Control of expenditures*

*42647 Drawing of warrants by district on county treasurer; form; reports, statements and other data*

**GOVERNMENT CODE**

*53995-53997 Obligation of contract*

*Management Resources:*

**GOVERNMENTAL STANDARDS ACCOUNTING BOARD**

*Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments, June 1999*

**CDE COMMUNICATIONS**

*1208.00 Audit Resolution Process: Repayment Plans*

**WEB SITES**

*Governmental Accounting Standards Board: <http://www.gasb.org>*

*CDE: <http://www.cde.ca.gov>*

*Education Audit Appeals Panel: <http://www.eaap.ca.gov>*

*State Controller's Office: <http://www.sco.ca.gov/>*

**MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS**

**Accounts**

The district's accounting system shall fully comply with the definitions, instructions and procedures set forth in the California Department of Education School Accounting Manual. (Education Code 41010)

The Superintendent or designee shall ensure that funds are encumbered in the district accounting records immediately after an expenditure is committed for subsequent payment.

*(cf. 3110 - Transfer of Funds)*

**Audit**

By April 1 of each year, the Governing Board shall provide for an audit of all district accounts, any other funds which are administered pursuant to a joint powers agreement, and attendance procedures. To conduct this audit, the Board shall select a certified public accountant or public accountant licensed by the State Board of Accountancy. The Superintendent or designee shall establish a timetable for the completion and review of the audit within the deadlines established by law.

The audit shall be conducted in accordance with General Accounting Office standards for financial and compliance audits. (Education Code 14503)

*(cf. 3451 - Petty Cash Funds)*

*(cf. 3452 - Student Activity Funds)*

*(cf. 3551 - Food Service Operation/Cafeteria Funds)*

The audit shall identify all expenditures by source of funds and shall contain: (Education Code 41020)

1. A statement that the audit was conducted pursuant to standards and procedures established in the audit guides developed by the State Controller.
2. A summary of audit exceptions and management improvement recommendations.
3. A description of the specific actions that are planned or that have been taken to correct any problem identified by the auditor.

The Superintendent or designee shall file the report of the audit with the County Superintendent of Schools, the Department of Education, and the State Controller no later than December 15. (Education Code 41020)

**MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS** (continued)

By January 31 of each year, the Board shall review, at an open meeting, the annual district audit for the prior year, any audit exceptions identified in that audit, the recommendations or findings of any management letter issued by the auditor, and any description of correction or plans to correct any exceptions or any issue raised in a management letter. (Education Code 41020.3)

*(cf. 9322 - Agenda/Meeting Materials)*

**Quality Control Reviews**

The independent auditor shall complete a quality control review every three years in accordance with General Accounting Office standards. (Education Code 14503)

**Assets**

The following guidelines will be followed in the recording of capital assets.

**Useful Life**

The Useful Life table recommended by the Association of School Business Officials International will be used, as follows:

**MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS** (continued)

<b>Asset Class</b>	<b>Examples</b>	<b>Est. Useful Life in Years</b>
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science & Engineering	Lab equipment, scientific apparatus	10
Furniture & Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communications Equip.	Mobile, portable radios, non-computerized	10
Computer Hardware	PCs, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equip.	Projectors, cameras (still & digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string, brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

## **MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS (continued)**

### **Asset Record**

Each capital asset record will include: description, year of acquisition, method of acquisition (e.g. purchase or donation), funding source, cost or estimated cost, and estimated useful life. The record will also identify the function(s) that uses the asset.

### **Furniture and Equipment**

Acquisition cost includes shipping, set-up, and installation. Other costs, such as plumbing or electrical, incurred to place a new asset in service should be included in the asset's acquisition cost. Further, construction-period interest cost is to be capitalized as a component of historical cost.

Donated items will be capitalized at fair-market value on the donation date.

### **Site Improvements**

Site Improvements include items such as excavation, utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fencing, outdoor lighting, and other non-building improvements. Depreciation of site improvements is necessary if the improvement is exhaustible.

### **Buildings**

Buildings should be recorded at either their acquisition cost or construction cost.

### **Building Improvements**

Building Improvements that extend the useful life should be capitalized. Examples of Building Improvements include roofing projects, major energy conservation projects, or remodeling and replacing major building components.

**MANAGEMENT OF DISTRICT ASSETS/ACCOUNTS** (continued)

**Depreciation**

Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. Generally, at the end of an asset's life, the sum of the amounts charged for depreciation in each accounting period (accumulated depreciation) will equal cost less salvage value.

The District will use the straight-line depreciation method. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life.