

CHAPTER 13
BUDGET, AUDITS, ACCOUNTING AND FINANCE

13.1 BUDGET

- A. By May 1st of each year, the Treasurer shall present to the Finance Committee an outline of concepts for the revenue, operating, and capital budget amounts. Final drafts of the budget shall be submitted for committee review prior to presenting to the Board.
- B. On or before the first regularly scheduled meeting of the Board in July, the Treasurer shall prepare for the ensuing year, and file with the Board, tentative revenue, operating, and capital budgets, together with specific District goals and work programs and any other supporting data required by the Board.
- C. The tentative budget shall be reviewed and considered by the Board at any regular meeting or special meeting called for that purpose. The Board may make any changes considered advisable in the tentative budget, pursuant to statute and generally acceptable accounting standards. The District will continue normal expenditures of funds during the period of time from the first day of each fiscal year through the date the Board adopts that fiscal year's budget, unless specifically instructed by the Board to do otherwise.
- D. After review, the Board shall adopt operating and capital budgets for the fiscal year period. Upon final adoption, the operating and capital budgets shall be in effect for the budget year, subject to any later amendment. During the budget year, and at a minimum during the mid-year review, the Board may, in any regular meeting or special meeting called for that purpose, review the operating and capital budget for the purpose of determining if the budget amounts need to be amended.
- E. During the budget process and at the mid-year budget review, the Treasurer shall discuss District reserving requirements for debt service obligations and short and long-term replacement, capital projects, connection fee requirements and other reserving obligations. This review shall also include any discussions regarding debt service bond covenant requirements impacting the District.
- F. Any department, with the approval of the Manager and Treasurer, may utilize funds designated for another department's use within a budget line item.

13.2 INDEPENDENT AUDITOR

- A. The independent auditor has the responsibility of reporting whether the District's financial statements are prepared in conformity with auditing standards accepted in the United States of America, the state Controller's Minimum Audit Requirements for California Special Districts, and the standards applicable to financial audits contained

in Government Auditing Standards, issued by the Comptroller General of the United States. Copies of the annual audit report shall be filed with the California State Controller's Office and shall be filed as a public document in the office of the District.

- B. Every three years, the District shall select its auditor by a competitive request for proposal process. Contracts shall be issued for three-year terms and in accordance with Section 12.4.5 of this manual. The District shall not retain the same auditor for more than six consecutive years.

13.3 ACCOUNTING AND FINANCE

A. General Fund and Payroll Check Signers

Any two of the following individuals shall sign general fund and payroll checks: Treasurer, General Manager, Office & Customer Service Manager, District Secretary, Board President, Board Vice-President, or any other individual authorized by resolution of the Board of Directors.

1. General Fund Checks

On a day-to-day basis, the required signers shall be a combination of at least two of the following: Treasurer, Office & Customer Service Manager or General Manager, with the internal control preference being the Treasurer and Office & Customer Service Manager in accordance with the Procurement Policy.

A complete descriptive register of general checks issued in a given month shall be prepared by accounting personnel and provided in the agenda packet for Board review and acceptance by no later than the Board meeting of the following month.

2. Payroll Checks

On a day-to-day basis, the required signers shall be a combination of at least two of the following: Treasurer, Office & Customer Service Manager, District Secretary, and/or General Manager.

13.4 CAPITALIZATION VERSUS EXPENSE

Single item purchases with at least an anticipated useful life of three years and exceeding \$10,000 each shall be capitalized as a fixed asset. The purchase of these fixed assets shall be included on the District's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$10,000 shall be expensed.

Other expenditures, for \$10,000 or more, which provided a significant increase in future service potential of a fixed asset shall also be capitalized as part of the existing asset. To meet the criteria for a capital expenditure, the purchase should extend the useful life of an asset, increase the quantity of service provided by an asset, or increase the quality of service by an asset. Capital expenditures may include the following: additions (enlargements, expansions or extensions of existing assets), replacements and improvements, and rearrangement and relocation of an asset.

Expenditures for normal repairs and maintenance shall not be considered as capital expenditures.

13.5 PETTY CASH

A petty cash fund in the amount of \$1,000 will be maintained for the purpose of providing cash for miscellaneous cash purchases, front counter drawer customer transactions, certain employee reimbursements in accordance with Sections 11.2 and 11.13 of this Policy Manual, and for Paradise Lake permit fee sales. Access to petty cash shall be limited to the Office & Customer Service Manager, the Accounting Technician, and Utility Billing Technician.