

**DISTRICT** 2018 Audit Programs

June 30, 2018

**CAPITAL ASSETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Audit Objectives and Related Assertions:</b>					
<b>A. Capital assets represent a complete and valid listing of the capitalizable cost of assets purchased, constructed, or leased by the District and the capital assets are physically on hand. (1,2,3,4)</b>					
<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>					
<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>					
<b>D. Depreciation/amortization and the related allowance account, if applicable, has been computed on an acceptable basis consistent with the basis used in the prior year. (4,7)</b>					
<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>					
<b>Audit Procedures:</b>					
A. Obtain a reconciliation of capital asset activity for the year.					
B. Document the capitalization policy for each class of asset.					
C. Trace a selection of additions to the list of assets.	B				
1. Determine major additions were authorized by the Board.					
2. Determine classification as an asset, rather than repair and maintenance expense, is consistent with District policy.					
3. Observe existence of the capital asset addition.					
4. If capital asset additions were not included in the expenditure test population, for each tested addition examine invoices and other supporting documentation.					
5. For reporting:					
a. Obtain the District's reconciliation of additions to the related expenditures.					

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<ul style="list-style-type: none"> <li>b. 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>c. Analyze the capital projects expenditures to determine completeness of capital asset additions and discuss with District management whether uncapitalized expenditures should be reclassified to repair and maintenance.</li> <li>d. For construction in progress, determine and document the status at year-end.</li> </ul>					
D. Deletions: <ul style="list-style-type: none"> <li>1. Trace to supporting documentation.</li> <li>2. Trace to authorization.</li> <li>3. Trace proceeds to cash receipts journal.</li> <li>4. Determine the gain/loss on disposal of capital assets.</li> </ul>	C				
E. Trace a selection of capital assets to physical existence. <ul style="list-style-type: none"> <li>1. Select items to trace from the listing to the actual asset.</li> <li>2. Select items to trace from the actual asset to the listing.</li> </ul>	A				
F. Foot additions, deletions and capital asset listing.	A,B,C,D				
G. Depreciation/amortization: <ul style="list-style-type: none"> <li>1. Document depreciation/amortization policy and useful lives used by each class of asset.</li> <li>2. Determine if depreciation/amortization methods and useful lives are consistently applied.</li> <li>3. Verify mathematical accuracy.</li> <li>4. Test computation of depreciation/amortization expense and extension of accumulated depreciation/amortization.</li> <li>5. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.</li> </ul>	D				

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<p>H. Determine the District recorded intangible assets in accordance with GASB 51. Examples of intangible assets include: computer software, easements, land use rights, patents, trademarks and copyrights.</p> <p>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:</p> <p>a. Determination of the specific objective of the project and nature of the service capacity expected.</p> <p>b. Demonstration of technical or technological feasibility for completing the project.</p> <p>c. Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset.</p> <p>(Outlays incurred prior to meeting the above criteria should be expensed as incurred.)</p> <p>2. For internally generated computer software, determine outlays are expensed or capitalized based on the nature of the activity:</p> <p>a. Preliminary project stage are expensed.</p> <p>b. Application and development stage are capitalized but cease no later than when the computer software is complete and operational.</p> <p>c. Post implementation/operation stage are expensed.</p> <p>3. Analyze useful lives of intangible assets and test the amount of amortization applied to the assets.</p> <p>a. Verify the useful life does not exceed contractual or legal provisions of the intangible asset.</p> <p>b. Determine intangible assets with indefinite useful lives were not amortized.</p>	A,B,C,D,E				
I. Determine the District has complied with GASB 60 for any service concession arrangements.					
J. Analyze equipment leases to determine if they meet the criteria in GASB Codification, Section L20.	A				
K. If an impairment of capital assets exists under GASB 42 criteria:	C,E				

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## CAPITAL ASSETS

[illegible]