Napa Sanitation District
Board Agenda Letter

TO: Honorable Board of Directors

FROM: Timothy Healy - General Manager
                 NS-Administration

REPORT BY: Cyndi Bolden, Senior Accountant - 258-6001

SUBJECT: Approve Budget Amendment for FY 2020/21 for Depreciation Expense

RECOMMENDATION

Adopt the accompanying budget amendment resolution authorizing staff to post the FY 2020/21 depreciation expense estimated to be about $10,000,000.

EXECUTIVE SUMMARY

It is NapaSan's practice to record the depreciation expense in the General Ledger in the same fiscal year that they are reported in the Audited Financial Statements. The depreciation expense is based on all of NapaSan's depreciable capital assets and calculated using the straight-line depreciation formula: dividing the cost of an asset, less its salvage value, by the useful life of the asset. To record this expense, it is necessary to increase the appropriations budget for FY 2020/21. NapaSan waits until after the fiscal year is complete to make this adjustment for two reasons. First, the number is not known until the end of the year, when the final debt interest payments are made. Second, having a large budget number for this expense reported during fiscal year would make it appear that NapaSan is significantly underspending its appropriation, and miscommunicating to the Board and the public the real budget vs. actual performance of NapaSan.

This budget amendment will allow staff to process the journal entries to post the FY 2020/21 depreciation expense. The adjustments are noncash adjustments; therefore, there is no fiscal impact.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?   No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

None.

SUPPORTING DOCUMENTS

A . Resolution

Napa Sanitation District: Approve

Reviewed By: Timothy Healy