



Board Agenda Item 53

DATE: June 20, 2017

TO: Board of Supervisors

SUBMITTED BY: Robert W. Bash, Director of Internal Services/Chief Information Officer

SUBJECT: Approve Reclassification of Expenses Determined to be Capital Expenditures

RECOMMENDED ACTION(S):

Approve reclassification of FY 2016-17 expenses determined to be capital assets under County Management Directives.

Approval of the recommended action will allow the Internal Services Department - Facility Services Division to properly account for Job Order Contracting (JOC) expenditures incurred in FY 2016-17 on renovation projects and determined to be properly accounted for as capital assets per County Management Directives. The recommended action will also allow for the resulting capital expenditures listed in Exhibit A to be added to the County's Asset Management System.

ALTERNATIVE ACTION(S):

Not approving the recommended action would prevent the identified expenditures incurred in FY 2016-17 Facility Services Org 8935, as listed in Exhibit A, from being capitalized and depreciated over their useful life which is inconsistent with proper accounting practices.

FISCAL IMPACT:

There is no budgetary impact to the FY 2016-17 budget. Approval of the recommended action will reclassify JOC expenditures incurred in FY 2016-17, shown in Exhibit A, as capital expenditures. Additionally, approval of the recommended action will allow the County to add the reclassified expenditures into the Asset Management System to track depreciation of the capital expenditures and properly record the assets for reporting purposes.

DISCUSSION:

Work performed under JOC agreements are on a per-job basis as requested by County departments and include projects that may or may not meet the criteria for capitalization. ISD conducts a review of expenditures that meet the criteria for capitalization and submits a request for reclassification annually.

For the period of July 1, 2016 through June 30, 2017, staff has identified \$264,237 (as listed in Exhibit A) of expenditures that occurred in Facility Services Org 8935, which resulted from JOC renovation projects that meet the criteria for capitalization. In order to be in compliance with the County Budget Act (California Government Code Section 29000 et. Seq.) and to abide by CAO Management Directive 413.1-Capital Assets, staff is requesting that your Board approve the reclassification of these expenses to allow for proper capitalization and addition to the County's Asset Management System.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A

CAO ANALYST:

John Hays