

ORDINANCE NO. 2073

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SALISBURY APPROVING AN AMENDMENT OF THE FY 09 GENERAL FUND BUDGET TO BUDGET THE RECEIPT OF LEASE PURCHASE PROCEEDS AND THE CORRESPONDING PURCHASE OF VEHICLES AND EQUIPMENT.

WHEREAS, accounting rules require that governmental funds reflect the total cost of the vehicles and equipment being lease purchased and the off-setting proceeds from the lease purchase contract; and

WHEREAS, historically the City of Salisbury has only included in its annual budget the annual lease purchase payments for the vehicles and equipment being purchased through lease purchase arrangements; and

WHEREAS, in the past two audits our auditors have noted this departure from accounting rules; and

WHEREAS, the Mayor and City Council desire that the budget be developed in such a way that it is consistent with accounting rules so that this comment can be eliminated from future audits;

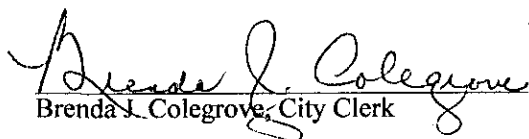
NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF COUNCIL OF THE CITY OF SALISBURY, MARYLAND that the City's Fiscal Year 2009 General Fund budget be and is hereby, amended as follows:

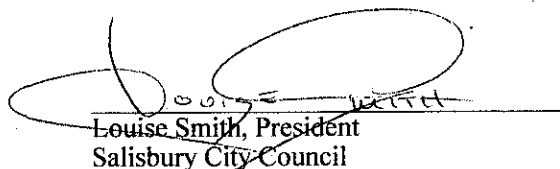
- 1) Increase General Fund Revenue – Lease Proceeds (01000-469311) \$3,113,135.49
- 2) Increase Police Department \$19,345.71
- 3) Increase Public Works – Traffic Control \$23,187.00
- 4) Increase Fire Department \$2,689,487.60
- 5) Increase Public Works - Streets & Lighting \$25,870.00
- 6) Increase Public Works - Sanitation \$303,524.18
- 7) Increase Public Works - Recreation & Culture \$51,721.00

AND, BE IT FURTHER ORDAINED that this Ordinance shall take effect from and after the date of its final passage.

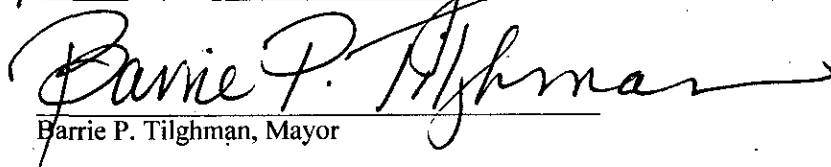
THIS ORDINANCE was introduced and read at a meeting of the Council of the City of Salisbury held on the 26th day of January, 2009, and thereafter, a statement of the substance of the Ordinance having been published as required by law, was finally passed by the Council on the 9th day of February, 2009.

ATTEST:


Brenda J. Colegrove, City Clerk


Louise Smith, President
Salisbury City Council

Approved by me this
10th day of February, 2009


Barrie P. Tilghman, Mayor

Memo

To: John R. Pick, City Administrator
From: Pamela B. Oland, Director of Internal Services *PBO*
Date: January 15, 2009
Re: Budget Amendment for Lease Purchases

In all City Funds, the City has previously only budgeted the lease payment in the fiscal year when a new item is purchased through a lease purchase agreement. Due to accounting rules, for the General Fund, we should also record the lease proceeds as revenue and the purchase of equipment as expense. In previous years, we have recorded these items as journal entries when completing our annual audit. However, this practice creates unbudgeted revenue and offsetting expense. This departure from accounting rules has been noted in our last two audit reports. In order to address this comment, management is recommending that we create a budget amendment for the general fund that recognizes the revenue and expenses of all of the current year budgeted lease purchase items.

The following items have been purchased under lease purchase agreements during FY 2009.

<u>Item</u>	<u>Account</u>	<u>Amount</u>
Animal Control ½ Ton King Cab Pick Up	21029-577025	19,345.71
Traffic Control ¾ Ton Pick Up	22000-577025	23,187.00
2 – Engine Trucks	24035-577025	1,115,020.00
2 – Ladder Trucks	24035-577025	1,552,526.00
SFD Crown Victoria	24035-577025	21,941.60
Asphalt Machine	31150-577030	25,870.00
Street Sweeper	32060-577030	182,312.00
Sanitation Truck	32061-577025	106,988.00
Waste Collection ½ Ton Pick Up	32061-577025	14,224.18
Carpenter Shop ¾ Ton Cargo Van	35000-577025	18,948.00
Parks Pick Up	45000-577025	32,773.00
Total		<u>3,133,135.49</u>

Please see the attached budget amendment ordinance for the General Fund, which will add lease proceeds and the purchase of the above items as a budget amendment. Because these are offsetting actions, this amendment would have no net effect on the FY 2009 Budget. This will eliminate the variance between budget and actual during the audit and address and audit management letter recommendation. If you have any questions, please let me know.