

RESOLUTION NO. 2063

A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY,
MARYLAND TO ESTABLISH COMMITTED FUND BALANCES AND
DESIGNATE THE DIRECTOR OF INTERNAL SERVICES TO ASSIGN FUND
BALANCES.

WHEREAS, the Government Accounting Standards Board (GASB) issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions"; and

WHEREAS, GASB 54 requires a new division of the City's governmental fund balances; and

WHEREAS, the new categories of fund balance are: non-spendable, restricted, committed, assigned and unassigned; and

WHEREAS, GASB #54 requires that the City Council commits fund balances (or fund types if the actual fund balance is not known) by June 30, 2011 or prior thereto; and

WHEREAS, the City Council can designate administrative personnel to assign funds; and

WHEREAS, the City Council desires to commit the following fund types: Health Care Reserve Fund, General Impact Fund, Water Impact Fund, Sewer Impact Fund, Curb, Gutter, Sidewalk Fund and the Reimbursement Funds of Trash Container Sales and Demolition; and

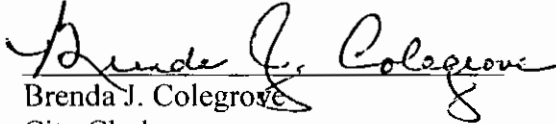
WHEREAS, the City Council also desires to designate the Director of Internal Services, with Mayor, City Administrator and audit firm consultation, as the personnel who can assign funds.

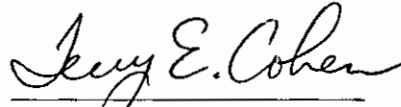
NOW, THEREFORE, BE IT RESOLVED, that the Salisbury City Council commits the following fund types: Health Care Reserve Fund, General Impact Fund, Water Impact Fund, Sewer Impact Fund, Curb, Gutter, Sidewalk Fund and the Reimbursement Funds of Trash Container Sales and Demolition; and

BE IT FURTHER RESOLVED that the City Council designates the Director of Internal Services as the responsible individual to assign funds.

THE ABOVE RESOLUTION was introduced and duly passed at a meeting of the Council of the City of Salisbury, Maryland held on June 13, 2011, and is to become effective immediately.

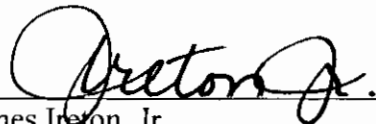
ATTEST:


Brenda J. Colegrove
City Clerk


Terry E. Cohen
Council President

APPROVED BY ME THIS

14th day of June, 2011


James Irton, Jr.
Mayor

Memo

To: John R. Pick, City Administrator
From: Pamela B. Oland, Director of Internal Services *PBO*
Date: May 27, 2011
Re: FY 2011 Fund Balance Reporting

In February 2009, the Government Accounting Standards Board (GASB) issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement became effective for periods beginning after June 15, 2010 and GASB 54 changed how governmental fund balance amounts are classified.

In our previous financial statements, we had the following main categories of fund balance: reserved and unreserved. Within the unreserved category, we had designated funds and undesignated funds and we had several different reserved categories. In order to comply with GASB 54, it will be necessary for us to divide the fund balance into the following: non-spendable, restricted, committed, assigned and unassigned. The definitions are as follows:

- Non-spendable – The portion of the fund balance that cannot be spent because it is either in a non-spendable form or legally or contractually required to be maintained. This includes items that can't be turned into cash, like inventory and prepaids.
- Restricted – The portion of the fund balance that is constrained to be used for a specific purpose as per an external party or law.
- Committed – The portion of the balance that is to be used for a specific purpose as per City Council decision. These constraints can be removed or changed by an equal City Council decision. Action to constrain the resources should occur prior to the fiscal year end. Direction can commit funds by dollar amount, percentage or specific activity.
- Assigned – The portion of the fund balance that is intended to be used for a specific purpose, but it is neither restricted nor committed. The assignment authority can be delegated to administrative personnel. The assignment authority should be created prior to year end, but the assignments themselves do not need to be created at that time.
- Unassigned – The portion of the fund balance that represents expendable available financial resources. It is the residual after the non-spendable, restricted, committed and assigned portions are deducted from the total fund balance.

To ensure that our accounts are properly classified, City Council must take legislative action by no later than June 30, 2011 to commit specific fund balances. Per discussion with Pam Baker, audit partner from Barbacane Thornton, management is recommending the following fund balance types be committed (Council can just designate the activity, since the balance for year end is not yet determined):

- Health Care Reserve Fund
- General, Water and Sewer Impact Funds

- Curb, Gutter, Sidewalk Fund
- Reimbursement funds – Trash Container Sales and Demolition

All of our other funds will either be categorized as non-spendable, restricted, assigned or unassigned.

The other action Council is required to take before June 30, 2011, is to designate the personnel who have the ability to assign funds. Again through discussion with our audit firm, management is recommending that the City Council designate the Director of Internal Services as the party who can assign funds. The Director would consult with our audit firm, as well as the City Administrator and the Mayor before modifying an assignment.

Attached please find a resolution that commits the specified funds as well as designating the Director of Internal Services to assign funds. If you have any questions, please let me know.