

RESOLUTION #8-2009

A RESOLUTION TO ZERO OUT THE DEBT SERVICE FUND

WHEREAS, according to our auditor's May 20, 2009 Management Report Letter, our 2008 financial statements reported a year end fund balance of \$347,065 in the Debt Service Fund; and,

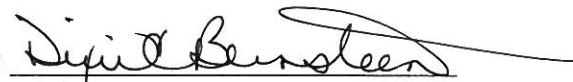
WHEREAS, since there is no requirement to maintain a balance in the Debt Service Fund, our auditor is recommending a transfer to the General Fund's Fund Balance.

NOW THEREFORE, BE IT HEREBY RESOLVED that the Town Board of the Town of Delavan transfers \$347,065 from the Debt Service Fund to the General Fund's Fund Balance.

Adopted this 18th day of August, 2009


Dorothy Burwell, Town Chair

Ayes 5 Noes 0

Attest: 
Dixie C. Bernstein, Town Clerk

- **New Reporting Standards for Police Health Care Benefits**

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, "Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions". This statement changes the manner in which postemployment (retiree) health care benefits are reported in a governmental unit's financial statements. It is my understanding that the certain employees of the town's police department receive town-provided health care insurance after their retirement from town employment. Consequently, this statement applies to the Town of Delavan. Under previous standards, these benefits were accounted for on a "pay-as-you go" basis, however, the GASB was concerned that many of these plans were not properly funded and, therefore, significant liabilities for these obligations were not reported on governments' balance sheets. This new standard calls for the calculation of an annual required contribution to fund the benefit, which is generally performed by a professional actuary. If the annual payments made for the benefits are less than this annual required contribution, a liability is to be recorded on the government's books titled "Net Other Postemployment Benefit (OPEB) Obligation". The standard includes a provision that smaller governments (including the Town of Delavan) may use an alternative method prescribed in the standard that does not require the services of a professional actuary. This standard will be effective with the town's 2009 financial statements.

- **Reconciliation of Payroll Tax Liability Accounts**

During our audit, a considerable amount of effort was devoted to reconciling the payroll liability balances in the town's general ledger. Our analysis concluded that overpayments of federal employment taxes were apparently made. We then proposed adjusting entries to be made on the town's books to bring the balances to what we felt were the correct amounts; and asked the town staff to further investigate the account balances and verify that overpayments were indeed made. In order to determine that payroll transactions are being recorded properly in the town's books and to be certain that the proper amounts of payroll taxes are being remitted to the federal and state governments, I recommend that a monthly reconciliation be performed on the payroll liability withholding accounts. This reconciliation should be used to determine that the liability balance at any month end equals the amount of payroll tax actually remitted subsequent to the month end.

- **Fund Balance of the Debt Service Fund**

The town's 2008 financial statements reported a year end fund balance in its debt service fund of \$347,065. It is common for a debt service fund similar to the town's to have a very small fund balance or even a zero fund balance. The balance in the town's debt service fund has increased primarily due to revenues (particularly room tax and interest revenues) allocated to this fund that have exceeded their budgeted amounts over several years. Because there appears to be no requirement to maintain this balance in the debt service fund, I believe it is more appropriate to report it as part of the fund balance of the town's general fund. Therefore, I recommend that the town authorize a resolution to transfer approximately \$347,065 (a small fund balance could be retained in the debt service fund to serve as a contingency) from the debt service fund's fund balance to the general fund's fund balance.