



CITY COUNCIL AGENDA ITEM

November 30, 2010

To: The Honorable Mayor and City Council Members

From: John Szerlag, City Manager
John M. Lamerato, Assistant City Manager/Finance & Administration
James Nash, Financial Services Director

Subject: Response to Council Member Mary Kerwin's Inquiries about
Generally Accepted Accounting Principles as Related to
Salaries and Fringe Benefits

Council Member Mary Kerwin asked for further clarification on the memo relative to staff salaries and fringe benefits dated November 18, 2010. Specifically, she wanted clarification on the potential costs of vacation and sick leave, and inquired as to whether we are utilizing best governmental practices in accounting for this potential liability. She further asked if other political jurisdictions also used this same practice.

The City accounts for potential costs such as vacation and sick leave. Please know that these costs are only incurred if vacation time and sick leave are not taken. If vacation or sick time is taken, no additional financial liability over and above the employee's base salary is incurred.

Generally accepted accounting principles require all government entities to either: 1) Establish an Internal Service Fund; or 2) Record liabilities in the actual operating funds. This means that all cities that compensate for unused sick and vacation time must account for it in one of the above fashions.