

# FINANCIAL STRUCTURE

The City's financial transactions and specific activities are budgeted and accounted for through the use of funds. A fund is a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The City's funds are arranged in accordance with the Governmental Accounting Standards Board and standards set by the Government Finance Officers Association of the United States and Canada (GFOA). The specific description and function of each fund is provided on the fund divider pages of this document. The following fund types are used in this document:

## **GOVERNMENTAL FUND TYPES**

**General Fund** is the general operating fund of the City.

**Special Revenue Funds** are used to account for revenues derived from specific taxes, grants or other restricted governmental revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds used by the City include:

- Motor Fuel Tax Fund
- Tax Increment Fund

**Debt Service Fund** is used to account for the accumulation of resources for the payment of principal, interest and paying agent fees for General Obligation Bonds issued on behalf of the Governmental Fund types.

**Community Investment Funds** are created to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure, except for the projects financed by legally restricted special revenue funds and proprietary fund types. Currently, the City's Community Investment Project Funds include:

- Local Improvement Fund

## **PROPRIETARY FUND TYPES**

These funds are established to account for the self supporting municipal activities that are similar to private business. The activities are financed by sales and service fees. The City operates the following four enterprise funds.

- Enterprise Funds:
  - Waterworks and Sewerage Fund
  - Parking System Operations Fund
  - Solid Waste Management Fund
  - Rental Properties Fund

The City's departmental structure may cross several funds. For example, the Public Works Department is responsible for certain functions and activities in the General Fund; in the Special Revenue Fund group, Motor Fuel Tax Fund; and in the Enterprise Funds group, Waterworks and Sewerage Fund, Solid Waste Management Fund and the Rental Properties Fund. Each department consists of divisions which account for the financial activities to accomplish their mission. The department structure and their respective divisions with reference to the appropriate fund are listed on Pages 52 and 53 of this document.

## **COMPONENT UNIT**

Component Units are legally separate entities that meet any of three tests: 1) the primary government appoints the voting majority of the board of the component unit and is able to impose its will or is in a relationship of financial burden or benefits; 2) the component unit is fiscally dependent upon the primary government; 3) the financial statements would be misleading if data from the component unit were not included.

The **Carbondale Public Library** provides a general program of public library services to the residents of Carbondale. The primary source of revenues is local property taxes.

The summary statements, graphs and charts in the Introductory Section of this budget do not include the Library's revenues, expenditures, change in fund balance amounts and full-time equivalent number of employees since the Library is not considered a part of the primary government.

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## ***BASIS OF ACCOUNTING & BUDGETING***

The operating Budget is adopted each fiscal year for all Governmental and Proprietary Fund types. The modified accrual basis of accounting and budgeting is used for the Governmental Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. Employee compensated absences and principal and interest on long-term debt expenditures are recorded when due in the current period.

The accrual basis of accounting is used for Proprietary Funds. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. For Budget preparation and presentation, the Proprietary Funds' expenses are converted to expenditures and follow the same budget format as the Governmental Fund types. Therefore, the term of "Working Fund Balance" is used in lieu of retained earnings.

Formal budgetary integration is employed as a management control device during the year for the Governmental and Proprietary Funds. Budgetary control is exercised by line item accounts, in an effort to monitor revenues and expenditures as they occur in relation to the approved budget. This allows for the management of expenditures as necessary to achieve a balanced budget. A balanced budget occurs when the total expenditures and other financing (uses) are equal to the total revenues and other financing (sources), resulting in no change to fund balance.

## ***AMENDMENT OF BUDGET***

Department and Division Heads may initiate transfer of funds between line item accounts with approval of the City Manager. Transfer of Budget funds from one Department/Division to another Department/Division requires City Council approval, accomplished by a two-third majority vote. Increases or decreases in overall Budget revenue or expenditure requires a two-third majority vote by the City Council.