

Relationship Between Budgeting and the Basis of Accounting

Financial Reporting Model and Fund Structure

Financial Reporting Model

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, directs municipal financial information preparation and presentations. For state and municipal government annual financial reports, GASB Statement No. 34 established new requirements and a new reporting model. Statement No. 34's objective was to develop easily understood annual reports and make them more useful to decision makers using governmental financial information.

Even with GASB Statement No. 34, budget methods have not changed substantially, but there have been changes to the underlying fund structure.

Governmental Fund Types

Municipal functions are financed through the use of governmental funds. The municipality's acquisition, use, and balance of expendable financial resources and related liabilities are accounted for through governmental funds. This excludes proprietary funds and similar trust funds.

The municipality budgets the following major governmental funds:

General Fund - The general fund is the municipality's general operating fund. With the exception of financial resources required to be accounted for in another fund, the general fund is used to account for all financial resources.

Capital Projects Fund (Capital Improvement Fund) – With the exception of capital improvements financed by proprietary funds, the capital improvement fund accounts for major capital facility acquisition or construction financial resources.

The City budgets the following minor governmental funds:

Special Revenue Funds - Special revenue funds are used as legally restrictive revenue sources for expenditures having specified purposes.

Capital Projects Fund (Community Development Fund) – Pursuant to the 1974 Housing and Community Development Act, the community development fund is used to implement various capital project programs.

Permanent Fund (Cemetery Fund) – Cemetery fund revenues are derived from the sale of cemetery lots, perpetual care payments, donations and legacies. These funds are designated for the care of cemetery lots. The principal of such funds shall not be expended for any other purpose.

The City budgets the following major proprietary funds:

Enterprise Funds - Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. Upon providing goods or services to the general public on a continual basis, the governing body intent is to recover expenses, including depreciation, through user charges where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two major enterprise funds: Public Utility Fund and Golf Fund.

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The City budgets the following minor proprietary funds:

Enterprise Fund (Port Facility and Economic Development Fund) – The port facility and economic development fund is used to account for the lease to Universal Maritime of a marine terminal facility and lease-purchase land sale to the Virginia Port Authority.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments, City agencies, or some agencies external to the City on a cost-reimbursement basis. The City has three internal service funds: City Garage Fund, Computer Services Fund and Risk Management and Insurance Fund. The City does not budget for fiduciary fund types.

Fiduciary Fund Types

When the City holds assets in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds, fiduciary funds are used to account for the assets. The City maintains pension trust and agency funds. The Pension Trust Funds account for the City's retirement plan assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve operational measurement results. Fiduciary funds are minor funds and are not included in the government-wide financial statements.