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# BUDGET STRUCTURE

## ***FUND ACCOUNTING***

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate, self-balancing set of accounts. There are three types of funds: governmental, proprietary, and fiduciary. Each type is distinguished by separate funds, which are explained below. For each fund type, the basis of budgeting is generally the same as the basis of accounting. The only significant exception is that compensated absences are not included in budget estimates while they are included in year-end financial statements.

### **Governmental Funds**

These funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds), and the servicing of long-term debt (Debt Service Funds). The General Fund is a governmental agency's primary fund and is used to account for all activities not accounted for in some other fund.

The City uses the modified accrual method of accounting for all governmental funds. The following revenue sources are considered subject to accrual under the modified accrual system: ad valorem taxes, sales taxes, State-shared revenues, County-shared revenues, and interest earnings. This method is utilized in the Comprehensive Annual Financial Statements as well.

The **General Fund** is a Major Fund and is used to account for resources traditionally associated with government which are not required by law, regulation, or sound financial management policy to be accounted for in another fund. There are two general funds: one for the City of Reno and one for the Redevelopment Agency of the City of Reno (Note: for financial reporting purposes, the Redevelopment Agency is treated as a separate unit of the City with its own audit and financial report).

**Special Revenue Funds** are used to account for specific revenues that are restricted by law or policy to expenditures for a particular purpose. The City's Special Revenue Funds are:

Community Development Block Grant Funds - to account for Community Development Block Grants received for the purpose of providing better housing, improved living conditions, and economic opportunities for persons of low and moderate income.

Street Special Revenue Fund - to account for revenue sources restricted for expenditure on streets. These include the ad valorem tax override approved by the voters effective with the 1994/95 fiscal year, continuing through fiscal year 2037/38; motor vehicle fuel taxes received from the State of Nevada; and distributions from the County Road Fund.

Room Tax Special Revenue Fund - to account for a one percent City tax imposed upon the gross income from room rentals within the City. By ordinance, 50% of the revenues provided by this tax must be used for developing, building, maintaining, expanding, repairing and operating City parks and other recreational facilities. The other half is used for City improvements or programs, the primary purpose of which is the improvement or

betterment of the City as a final destination for visitors and tourism. A portion of these funds are distributed as grants to support local arts and culture events.

Court Funds - to account for assessments levied by the Reno Municipal Court. These funds are used for the improvement of the Court and construction of a new court facility. This includes: training and education of personnel, acquisition of capital goods, management and operational studies, audits, and acquisition of computers and other technology.

Drug Forfeiture Fund – to account for revenues resulting from drug and other related crimes that are solved. Funds are restricted to law enforcement activities.

**Debt Service Funds** are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies. The City's debt service funds are:

Ad Valorem Debt Service Fund - to accumulate monies for payment of general obligation bonds and capital lease obligations of the City that are not required to be accounted for in proprietary funds.

Railroad Debt Fund – is a Major Fund and is used to accumulate monies for payment of bonds for the construction of ReTRAC (train trench).

Event Center Debt Funds - to accumulate monies for payment of bonds for the construction of the Downtown Event Center and Ballroom.

Special Assessment Districts Debt Service Funds - to accumulate monies for payment of special assessment bonds of the City.

Redevelopment Agency Debt Service Fund - to accumulate monies for payment of tax allocation bonds of the Redevelopment Agency.

**Capital Projects Funds** are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary or trust funds. The City's capital projects funds are:

Public Works Capital Projects Funds - to account for general capital improvement projects and traffic signal and safety improvements not accounted for elsewhere. Current policy calls for the City to transfer a minimum of 1% of total general fund expenses to this fund each year to accumulate funds for capital improvements and capital maintenance of City facilities.

ReTrac Capital Projects Fund - to account for the construction of a depressed railway through the downtown section of the City. Bonds were issued in December 1998, in the amount of \$6 million, which will be repaid from sales and room tax.

Parks Capital Projects Fund - to account for the acquisition and improvement of parks, playgrounds, and recreation facilities within the City. Resources are provided by the Residential Construction Tax.

Capital Tax Fund - to account for a special ad valorem tax levied by the County which can only be used for the purchase of capital assets and/or major repairs (not considered maintenance) of existing infrastructure. Resources can also be used to repay short-term financing to fund capital projects.

Community Assistance Center Fund - to account for the construction of the Community Assistance Center.

## **Proprietary Funds**

These funds are used to account for activities similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies within the City (Internal Service Funds).

The City uses the accrual method of accounting for all proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This method is utilized in the Comprehensive Annual Financial Statements as well.

**Enterprise Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City decided that periodic determination of net income is appropriate for accountability purposes. The City's enterprise funds are:

Sanitary Sewer Fund – is a Major Fund and is used to account for sewer services provided to the residents of Reno and some residents of Washoe County and to account for connection fee revenues restricted for capital expenditures and the related projects.

Golf Fund – to account for the activities involved in operating golf courses. Resources are provided by fees and charges associated with golf courses and sales receipts from pro shop and snack shop.

Building Permit Fund - to account for activities involved in issuing a building permit and inspecting buildings for compliance with building and fire codes. Resources are provided by building permit and inspection fees.

**Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units on a cost-reimbursement basis. The City's internal service funds are:

Motor Vehicle Fund - to account for the costs of acquisition of motor vehicles and of operating a maintenance facility for motor vehicles used by City departments. Such costs are billed to the user department.

Risk Retention Fund - to account for the operations of the self-funded general insurance program.

Group Insurance Fund - to account for the operations of the group health and accident insurance program.

Self-Funded Workers' Compensation Fund - to account for the operations of the self-funded workers' compensation program