

## **Basis of Accounting**

The Phillipsburg City Council approves an annual resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement of the application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The financial transactions of the City are recorded in individual funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City:

- **General Fund** – the chief operating fund used to account for all resources except those required to be accounted for in another fund.
- **Bond and Interest Funds** – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.
- **Business Funds** – used to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the expense of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- **Trust Funds** – funds used to report assets held in trust for the benefit of the municipal financial reporting entity.
- **Special Purpose Funds** – funds used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

- **Agency Funds** – fund used to report assets held by the municipal reporting entity in a purely custodial capacity (meter deposits, court bonds, employee flex benefit funds).

In 2018, the City Council made several changes in the manner which some department expenditures were recorded. An example of this is within the General Fund prior to 2018 there was a department for the Custodian which tracked custodial expenditures. In 2018, the custodial expenditures were allocated between the various building departments which work was done. Several funds now have departments for operation and administration which were not recorded separately prior to 2018.

*(Remainder of page intentionally left blank)*