

READER'S GUIDE TO THE BUDGET

One of the primary goals in formatting this Budget has been to make it user-friendly. Government budgets by definition are confusing documents, particularly for the first-time reader. Generally Accepted Accounting Principles (GAAP) for governments requires the use of multiple funds, grouped into seven categories, plus a Long-term Debt Account Group and a Fixed Asset Account Group. To further complicate it, some of those fund categories are budgeted and accounted for using the modified accrual basis of accounting, and some the accrual basis of accounting. Most citizens are accustomed to private sector accounting, where a business has one balance sheet and one income statement, both kept on the accrual basis of accounting. Therefore, it is strongly recommended that you take a few moments to review this Reader's Guide before reading the Budget. It should help you understand the framework of the City's fund structure and accounting system.

The City of Statesboro will operate with fifteen separate funds this year, which makes municipal budgeting and accounting considerably different from that in the private sector. Although the City may in most cases legally transfer money from one fund to another, each fund is a separate accounting entity with assets, liabilities, equity, revenues, and expenditures (expenses). Consequently, there will be fifteen separate balance sheets and income statements. The funds fall into seven different categories, or types of funds, as required by Generally Accepted Accounting Principles for governmental entities. The funds by fund type that will be used in the fiscal year are as follows, and are summarized in the chart on the next page:

(1) Governmental Funds

General Fund – This is the principal fund of the city and is used to account for all activities of the City not included in other specified funds. The General Fund accounts for the normal recurring activities of the City (i.e., public safety, general government, engineering, planning, finance, and public works).

Special Revenue Funds – Funds used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Included in the Special Revenue Funds are the Confiscated Assets Fund, Community Development Housing Trust Fund, Multiple Grant Fund, and the Hotel-Motel Tax Fund. The Narrative Section at the front of each Fund explains in detail the purpose of that fund.

Capital Project Funds – Funds used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by enterprise operations. The City's Capital Project Funds include the 2002 SPLOST Fund, 2007 SPLOST Fund, Downtown Streetscape Fund, and the Capital Improvements Program

Fund. Again, the Narrative Section at the front of each Fund explains in detail the purpose of that fund.

(2) Proprietary Funds

Enterprise Funds – Funds used to account for operations that are financed and operated in a manner similar to private business enterprises - - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City has four Enterprise Funds: the Water and Sewer Fund, Natural Gas Fund, Solid Waste Collection Fund, and the Solid Waste Disposal Fund. Again, the Narrative Section at the front of each Fund explains in detail the purpose of that fund.

Internal Service Funds – Funds 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 the other government units, on a cost reimbursement (internal fees and charges) basis. The City has two Internal Service Funds: the Benefits Insurance Fund and the Fleet Management Fund. Again, the Narrative Section at the front of each Fund explains in detail the purpose of that fund.

Please note that the second column of the funds chart shows two different accounting bases: accrual and modified accrual. Accrual accounting is similar to private sector accounting, in that revenues are accrued when earned, and expenses are accrued when the financial transaction takes place. Proprietary Funds and Fiduciary Funds are accounted for on this basis, as they are operated very similarly to private businesses. In the Budget, these types of funds have a Budgeted Income Statement and a Budgeted Cash Flow Statement. Any major capital expenses for these funds are budgeted in the Budgeted Cash Flow Statement, except for those receiving SPLOST funds. In that case, some projects may also be funded in the 2002 SPLOST Fund and the 2007 SPLOST Fund.

All Governmental Funds are accounted for using the modified accrual basis, which is a hybrid of cash and accrual, where some revenues and expenses are accrued, and some are on a cash basis. These funds reflect only available resources. The fixed assets and the long-term debt are not on the balance sheets in these funds, but are kept in two account groups, entitled the General Fixed Assets Account Group and the General Long-term Debt Account Group. In addition, this Budget shows all the major capital expenditures for these types of funds in the Capital Improvements Program Fund, or another capital projects fund. Major capital expenditures are defined as capital assets costing at least \$5,000 and having a useful life of at least two years. This includes not only land, buildings, and infrastructure, but also vehicles and equipment.

The fifteen funds are serviced by nine bank accounts, five of which are major accounts, and four of which are minor. The minor accounts have little activity, but are required due to bond indentures, grant requirements, or some other legal or operational requirement. The City received bids on its banking services in April, 2005, for a three-year term beginning July 1st. This arrangement eliminated normal bank fees and service charges, provided the City an investment rate of interest tied to the Targeted Federal Funds Rate on all overnight deposits (currently 5.25%), and provided free check printing for all funds. The chart on the following page shows which bank accounts service each of the proposed funds.

Following this Reader's Guide to the Budget is the City Manager's Budget Message. This message includes a listing of the assumptions used in developing the Budget. It also includes a discussion of the major issues requiring financing that the Mayor and City Council confront, and how this Budget proposes to address them.

The next section, Summary Budget of All Funds, is a multi-sheet spreadsheet, which summarizes all funds of the City of Statesboro, and the projected fund balances or working capital, depending on the basis of accounting used. This summary includes all revenues and transfers into a fund, and all expenditures (expenses) and transfers out of a fund. It also shows the other sources and uses of cash in those funds using full accrual accounting. *In short, it is the entire budget in a condensed format.* This section also contains the Resolution necessary to adopt the Budget. Should the Mayor and City Council wish to change any aspect of the proposed Budget contained herein, they would simply adopt this Resolution subject to those specific changes.

The next section contains the Resolution Adopting the Financial Policies, which directs the financial operations of the City. These policies are reviewed each year to determine if any changes need to be made.

The next section contains a List of Authorized Personnel Positions funded by this Budget. This lists the budgeted positions within each department and division of the City. This assures that only this number of personnel can be employed unless changed by the City Council during the fiscal year.

The next section contains the Proposed Position Classification and Compensation (Pay) Plan. The Plan was updated by the Vinson Institute of Government at the University of Georgia for FY 2007. It had been five years since the last update to the Plan. In the years between Plan updates, salaries and wages are adjusted by a cost of living adjustment to offset inflation. There are four schedules: 1) for 40-hour per week hourly employees, 2) for salaried employees, 3) for firefighters on the "24 hours on/ 48 hours off" schedule, and 4) for non-salaried police officers who work a 43-hour per week schedule.

Following that are sections for each one of the fifteen funds.

After all funds are presented, there are two remaining sections. They provide the following information:

1) The Existing Debt Service Schedule for All Funds. The City must repay the debt for the City Hall purchase and renovation; the debt for the natural gas line extensions to Briggs and Stratton and the City of Metter; and several GEFA loans and the 1995 Refinancing Revenue Bond for the water and sewer system. That is the extent of the City's indebtedness. These schedules show the amount of principal and interest due in each of the fiscal years until fully repaid for each individual debt instrument.

2) A Glossary of Terms used in governmental budgeting and accounting to assist the first-time reader. It should help clarify new terms that may not be familiar to the reader.