



# UNDERSTANDING YOUR CITY'S FINANCES

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## Introduction

This series is designed to give the citizens of the City of Grovetown a better understanding of how the City is funded through various sources, how those funds are organized for specific purposes and the accounting activities that track the results of the City's operations

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## Introduction

“...and that government of the people, by the people, and for the people shall not perish from the earth.”

President Abraham Lincoln  
Gettysburg Address  
November 19, 1863

The government described by President Lincoln sometimes seems unattainable on the national and state level, but on the local level such as here in the City of Grovetown, we can see this concept in action. Government of your City (which is made up of the citizens), led by those whom you choose from among your fellow citizens (the Mayor and Council), and operated on your behalf through those whom they have appointed to various positions (the City employees).

The City of Grovetown is a municipal corporation chartered under the laws of the State of Georgia that govern municipalities. Indeed, the City exists and operates for the benefit of its citizens. In what way does it benefit its citizens? The City provides certain services to its citizens, such as fire & police protection, streets maintenance, garbage & rough trash disposal, and water/sewer distribution & collection, to name a few.

The relationship is similar in some ways to how a corporation operates for the benefit of its stockholders. In the case of a for-profit corporation, the stockholders invest money with an expectation of return on investment in the form of profits. In the case of the City, the citizens invest various sums of money (taxes, fees, utility charges, etc.) with an expectation of return on investment in the form of the services mentioned above.

Economics has been defined at times as, the study of scarce resources and the allocation of those scarce resources. This publication, “Understanding Your City’s Finances” is designed to break down the complex structure of the City’s sources and uses of resources.

## Financial Reporting

Citizens of municipalities in the State of Georgia benefit from the fact that the state government has passed laws over the years to ensure the accountability of the local government to its citizens. One such law requires that the local government produce a set of financial statements each year. Those statements have to be in compliance with the requirements of the Governmental Accounting Standards Board (GASB), which is the nationwide accounting standard setting authority for governments. Georgia law also requires that the local government have its financial statements audited by an independent firm of Certified Public Accountants. The auditors’ reports and the financial statements are then submitted to the Georgia Department of Audits and Accounts for review and comment. They must also be made available for public download through the website of the Carl Vinson Institute of Government at the University of Georgia.

## Fund Accounting

The City of Grovetown accounts for its financial position and results of operations using fund accounting. This means that rather than having a single set of accounts for all operations, the city’s accounts are grouped into “funds”. The type of service provided is the main determining factor in which operations are grouped into which funds. There are several fund types used in local government accounting. We will look at only two of them (general funds & enterprise funds) in this first edition of “Understanding Your City’s Finances”.

## General Fund – Governmental Activities

Simply put, the general fund accounts for all functions of the government that do not require a special separate fund. In the City of Grovetown, the general fund has several revenue sources including: property taxes, franchise taxes, alcoholic beverage taxes, excise taxes, Local Option Sales Taxes (LOST), licenses and permits. These revenues are used to offset the cost of services provided by the following departments: Administration, Public Safety, Public Works (except water/sewer), Planning & Zoning, and Recreation.

## Enterprise Funds, also known as Proprietary Funds – Business Type Activities

Enterprise funds are used to account for the activities that the City engages in for the benefit of its citizens that are operated like a business. In the City of Grovetown, this includes the Water & Sewer department and the Storm Water department. These funds collect fees for their services provided. The fees are based on a specific measure of the consumption of the services provided, for example, the charge of a certain amount of dollars per gallon of water provided.

All expenses of the enterprise funds must be offset by the fees charged. This means that with the exception of some large capital purchases financed through loans or Special Local Option Sales Taxes (SPLOST), all department expenses are paid for by the customers of the enterprise funds. For example, the Water Sewer Fund includes expenses such as Salaries, Benefits, Engineering & Legal Fees, Maintenance, Vehicle & Equipment Expenses, Tools & Supplies, and purchases of Water/Sewer Capacity from surrounding governments.

## Conclusion

The City's finance and accounting structure is complex. Hopefully, this publication will shed light on that complex structure for the benefit of the citizens of the City. Future issues will take a more in depth look at what we have described so far, and also introduce some other special purpose funds the City maintains.

