

**A GUIDE TO UNDERSTANDING
THE BUDGET**

A GUIDE TO UNDERSTANDING THE BUDGET OF THE CITY OF KEARNEY, NEBRASKA

Government

The City of Kearney voters adopted the Council-Manager form of government in 1950. Section 19-646 of Nebraska Revised Statutes outlines the powers and duties of the City Manager. The City Manager is charged with preparing the annual budget and keeping the Council fully advised as to the financial condition and needs of the City.

City Government Organizational Chart

A complete understanding of the relationship of the budget to City of Kearney operations requires knowledge of the operating structure. An organizational chart for the City of Kearney is shown behind the tab entitled "Organizational Charts".

Budget Process

1. Budget Guidelines

The City of Kearney Budget Policy appears in the "Summaries" section. The following is a summary of the budget policies as followed and adopted. The process of developing the Annual Operating Budget begins in February of each year. Each department prepares a five-year Long Range Goals and Capital Improvement Program for adoption during a work session with the City Council in April.

Departments worked with prior and current year budget information, estimates of revenues, and staff to develop budget proposals. Department Heads returned current budget year estimates and 2015-16 budget information to the Director of Finance by April 30, 2015. Departmental review of budgets by City Administration were conducted May 27, 2015.

The budget was presented to the City Council at a work session on July 9, 2015. A joint meeting of the City Council and Buffalo County Board of Supervisors was held on July 15, 2015 to present the budget for joint City/County operations.

2. Public Participation/Hearings

Citizen involvement is an important component of the budget process. Citizens and advisory groups worked with specific departments to ensure their concerns are addressed in the long-range goals or budget documents. The City Council conducted a public hearing on September 8, 2015 to hear all interested person's comments concerning the budget.

3. Adoption

The 2015-16 budget document was adopted on September 8, 2015 during a City Council meeting. The 2015-16 Annual Appropriation Bill was adopted by the City Council on September 8, 2015.

4. Legal Mandates

The budget document and appropriation ordinance were prepared and adopted in accordance with Nebraska Statutes (Article 5, et. seq., Nebraska Budget Act).

On April 11, 1996 and April 2, 1998, the Nebraska legislature enacted legislation intended to reduce the level of property taxation in the State. The two measures of principal impact are LB 1114 which reduces the rate of taxation for general property taxes authorized for cities and LB 989 which provides for a new overall budget limitation on certain restricted funds.

Under LB 1114, the rates for levying property taxes are to be limited for each type of governmental unit in the State of Nebraska. The rate for cities such as Kearney, after July 1, 1998, shall be no more than \$.45 per one hundred dollars (\$100) of taxable value plus an additional \$.05 for payments due under inter-local cooperation act agreements. Property tax levies to pay bonded debt are not included in such limitation.

LB 989 imposes a limitation on the growth of restricted funds of 2 1/2% plus a factor for valuation growth, if any. Restricted funds include property taxes (excluding any amounts required to pay interest and principal on bonded indebtedness), payments in lieu of taxes, local option sales taxes, state aid and fees from enterprise funds to the extent budgeted for general purposes rather than the enterprise function. The limitation imposed does not apply to capital improvements (real property acquisition, construction or extensions), revenues pledged to retire bonded indebtedness, funds used to support an inter-local cooperative agreement, natural disaster repairs, or judgements against the City. The 2 1/2% limitation may be exceeded by an additional 1% upon an affirmative vote of at least 75% of the governing body. These new limitations are to be enforced through the office of the Auditor of Public Accounts of the State of Nebraska and state aid may be withheld from governmental units which fail to comply. LB 989 became effective upon its approval by the Governor on April 7, 1998.

5. Budget Amendments

Pursuant to Nebraska Statutes, the City of Kearney may not expend more than the total budget of expenditures unless the provisions of Nebraska State Statute 13-511, R.R.S. 1943 are met. Nebraska State Statute 13-511, R.R.S. 1943 states "whenever during the current fiscal year it becomes apparent to a governing body that there are circumstances which could not reasonably have

been anticipated at the time the budget for the current fiscal year was adopted, such that the revenue of the current fiscal year for any fund thereof will be insufficient, additional expenses will be necessarily incurred, or there is a need to reduce the budget requirements, such governing body may propose to revise the previously adopted budget statement and shall conduct a public hearing on such proposal". Under these circumstances, a public hearing is conducted to supplement the previously adopted budget and an ordinance is passed by the City Council authorizing the expenditures of the additional requirements.

6. Budget Basis

The budgets of all funds contained in the City's Annual Operating Budget and Program of Services are prepared on a cash basis. Briefly, this means that payments of obligations are budgeted as expenses when actually paid and revenues are budgeted when they are actually received.

7. Budget Document (Purpose)

The purpose of the budget document is to present to the public and the City Council (legislative body) a comprehensive picture of proposed operations for the budget year expressed in both verbal and statistical terms for services to meet the human and physical needs of the citizens of Kearney. The budget is intended to accomplish two things: (1) to provide the administration with the opportunity to present its recommendations for the levels of services and methods of financing of services in the coming year; (2) to provide the most effective control possible by the legislative body over the administration. It also provides the administration with the opportunity to point out various needs within the City's service. The Council has the opportunity to judge the adequacy of the recommended programs and to set the level of City services by comparing the needs of one service over the needs for another. The Council must also weigh the desirability of the services proposed against the burden of taxes required to finance the work program.

The budget document is the single most important report presented to the City Council during the year. Although it is primarily intended for City Council policy determination, it also serves as an aid to the citizens in providing a better understanding of the City's operating fiscal programs. The budget has been built on conservative financial principals that reflect staff commitment to maintaining necessary services, improving the quality of the operation of the City, and keeping expenditures and taxpayer load to a minimum.

Budget Content

The major components of the 2015-16 Annual Operating Budget and Program of Services are discussed sequentially (in order of appearance in the document) in the sections to follow:

1. Table of Contents

A table of contents is provided which will help you locate specific funds and specific departments.

2. Transmittal Letter

A budget transmittal letter is written by the City Manager, which serves as a "State of the City" message. Components of the message include the financial status of the City, budget highlights including major program changes, a statement of any unresolved problem areas, and an outline of policy themes guiding the City government.

3. Organizational Charts

The organizational charts are provided depicting the City organization.

4. Ordinances

This ordinance adopts the Budget Statement to be termed the Annual Appropriation Bill.

5. Summaries

Summaries include the Budget Policy Statement and a Financial Policy Statement. The Financial Policy Statement is a statement of intent by the City Council on how fund balances and working capital balances are to be maintained; the method of calculating and projecting revenues; the method whereby investment of idle cash is made; the manner in which capital improvements will be made and paid; the inter-fund transfer policy for transfers from the Enterprise Fund to the General Fund; and the financing mechanisms for the Water and Wastewater System. The All Funds Reconciliation provides "at a glance" the relative cash position of the City. The All Funds Reconciliation also isolates the revenue and expenses of each fund prior to the intra-city transfers. The All Funds Combined report provides historical and current budgetary information for each fund and account within the Annual Operating Budget and Program of Services. Additionally, comparative analysis of valuations, taxes and levies is provided.

6. General Fund

The General Fund accounts for all financial transactions of most "general government" activities. It is generally considered the "bulk" of City services and includes the traditional type services, such as police, fire, parks, animal control, code enforcement, administration, etc. The General Fund is used to account for all financial resources not restricted for a specific purpose or otherwise required to be accounted for in another fund.

7. Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments) to finance specific activities as required by law or administrative regulations. Special Revenue Funds include: Transportation, Economic Development Grant, Lottery Trust, Natural Disaster, and Off-Street Parking District No. 1.

8. Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital Projects Funds are comprised of Police Reserve, Fire Reserve, Cemetery Reserve, Parks and Recreation Development, Street Improvement, and Special Sales Tax – Capital Improvements/Equipment.

9. Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for and payment of general long-term debt principal and interest. The City maintains two debt service groups: Public Safety Tax Anticipation Bonds and Various Purpose General Obligation bonds. Public Safety Tax Anticipation Bonds and Various Purpose General Obligation Bonds are pledged by the full faith and credit of the City, and are paid from sales tax and property tax proceeds.

10. Enterprise Funds

Enterprise Funds are used "to account for operations, (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes". Services accounted for in Enterprise Funds are tangible and it is possible to determine the extent for which they benefit individual service consumers. The Enterprise Funds include the Golf, Sanitation, Solid Waste Disposal Facility (SWDF), Sanitary Sewer, Water, and Kearney Regional Airport.

11. Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of the government to other departments or agencies on a cost reimbursement basis. Services accounted for in the Internal Service Funds are tangible and it is possible to determine the extent to which they benefit individual departments or agencies of the

government. Internal Service Funds are comprised of Health Insurance, Property & Casualty Insurance, Workers Compensation Insurance, Central Stores, and Vehicle Maintenance

12. Pension (And Other Employee Benefit) Trust Funds

Pension Trust Funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. Pension Trust Funds are comprised of the Police Pension Fund.

13. Agency Funds

Agency Funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Agency Funds are comprised of the Sales and Use Tax Fund.

14. Personnel Summary

The personnel summary includes the Positions Classification Assignment (under the Fair Labor Standards Act), as well as the Compensation Plan (or Pay Plan) that is currently in force. A Personnel Schedule is also included in this section. The Personnel Schedule provides the number of employees within each fund for the prior three fiscal years and the upcoming fiscal year.

15. Accounting Summary

The Accounting Summary includes the Basic Account Code Summary, Departmental Account Codes and the Classification of Expenditures under the accounting system.

16. Glossary

The glossary is a compilation of terms used in the budgetary process and governmental accounting.

17. Boards and Commissions

A listing of the citizens serving on advisory boards and commissions is provided with their expiration dates.