

## Glossary of Budget Terms

**Account Code** - An expenditure classification based upon the types or categories of spending, such as salaries, fringe benefits, travel, or equipment in such a manner that the symbol used quickly reveals certain required information.

**Accrual Basis of Accounting** - Accounting transactions are recorded to a fiscal year when the underlying economic event takes place, and without regard for when the cash receipt or cash disbursement occurs. Revenues are recorded when the revenue-generating activity is performed, and expenses are recorded when goods or services are received.

**Appropriation** - An authorization made by the City Council that permits the City to incur obligations and to make expenditures of public funds.

**Assessed Valuation** - The estimated value of real estate or other property by a government as a basis for levying taxes. The value is set by the City Assessor and may only be a fraction of the property's market value.

**Assessed Value Tax Rate** - The amount of tax levied for each \$1,000 of assessed valuation. The rate is set by the City Council.

**Attributable Revenue** - The revenue generated as a direct consequence of the provision of a specific government activity, such as fees for service, state or federal aid for programs, and income from sales.

**Bond** - A written promise to pay a specified sum of money on a specific date and at a specific interest rate. The interest payments and the repayment of the principal are detailed in a bond ordinance. The most common types of bonds are general obligation and revenue bonds. These are most frequently used for construction of large capital projects such as buildings, sewage treatment facilities, and water distribution systems and infrastructure improvements.

**Budget** - A comprehensive financial plan, for a specified period, of operations that allocates and matches available revenues and expenditures with services provided to the residents of the City.

**Budget Amendment** - The legal procedure utilized to revise a budget appropriation or revenue. This is a modification to the adopted budget, which specifies both the source of revenue and the appropriate expenditure account.

**Budget Calendar** - The schedule of key dates that the City follows in preparing, adopting, and administering the budget.

**Budget Document** - The official instrument used by the City Manager to present a comprehensive financial plan of operations to the City Council.

**Budget Message** - An introductory statement of the proposed budget presented in narrative form along with the budget document. The budget message explains principal budget issues, provides a summary of the most important aspects of the budget, changes from previous fiscal years, and includes the views and recommendations of the executive department. The message is written by the City Manager, the City's chief executive.

**Capital Assets** - Property of significant value and having a useful life of several years. Capital assets are also referred to as fixed assets.

**Capital Fund** - A fund established to account for planning, acquisition, and construction of major capital projects.

**Capital Improvement Plan (CIP)** - A plan for capital expenditures to be incurred each year over a period of five future years. The CIP describes each capital project, the expected beginning and ending date for each project, the amount to be expended in each year, and the method of financing those expenditures.

**Debt Service** - The payment of principal and interest on borrowed funds, according to a predetermined payment schedule.

**Deficit** - The excess of an entity's liabilities over its assets, and/or the excess of expenses over revenues during a single accounting period.

**Delinquent Taxes** - Taxes that remain unpaid after the date on which a penalty for non-payment is attached.

**Department** - A major administrative organizational unit of the City which indicates overall management responsibility for one or more divisions.

**Depreciation** - The decrease in value of physical assets due to use and the passage of time. In accounting for depreciation, the cost of a fixed asset is prorated over the estimated service life of such an asset, and each year is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense. This is done in proprietary funds which allows the calculation of net income for each fund.

**Disbursement** - Payment for goods and services.

**Employee benefits** - Employee benefits include City appropriations for retirement, worker's compensation, Social Security, health and dental insurance and unemployment costs.

**Encumbrance** - The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for a future expenditure.

**Enterprise Fund** - A fund established to account for operations that are financed and operated in a manner similar to private business enterprises.

**Estimated Revenues** - The amount of projected revenue to be collected during the current or ensuing fiscal year. The amount of revenue estimated is the amount approved by the City Council. The City Comptroller provides estimates.

**Expenditure** - A decrease in the net financial resources of the City due to the acquisition of goods and services.

**Fines and Forfeitures** - Revenues from fines and penalties for commission of statutory offenses; forfeitures of amounts held as security against loss or damage, or collections from bonds or securities placed with the government for the same purpose; and penalties of any sort, except those levied on delinquent taxes.

**Fiscal Year** - A twelve-month period designated as the operating year for an organization. The City of Auburn has specified July 1 through June 30 as its fiscal year.

**Fixed Assets** - Property of long-term character such as land, buildings, machinery, furniture, and other equipment.

**Full Faith and Credit** - A pledge of the general taxing power of a government to repay debt obligations, typically used in reference to bonds.

**Full Time Equivalent (FTE)** - Concept that converts all full- and part-time salaries to a full-time equivalent basis. It is calculated by dividing the average salary in a department into the salary appropriation, resulting in the number of budgeted FTEs.

**Fund** - An accounting entity with a self-balancing set of accounts that records financial transactions for specific activities or government functions.

**Fund Balance** - The difference between a fund's total assets and its total liabilities. A negative fund balance, sometimes called a fund deficit, occurs when liabilities exceed assets. When assets exceed liabilities, it is called a surplus.

**Generally Accepted Accounting Principals (GAAP)** - A uniform set of reporting standards derived by certain authoritative bodies, principally the Governmental Accounting Standards Board, with the intended purpose of fairly presenting the results of an organization's financial activities.

**General Fund** - The largest fund within the City that accounts for most of the City's financial resources. General Fund revenues include property taxes, sales tax, state aid, licenses and permits, service charges, and other types of revenue. This fund includes expenditures and financing for most of the City's basic operating services.

**General Obligation Bonds** - Bonds that finance a variety of public projects that pledge the full faith and credit of the City.

**Goals** - Broad, general statements of each department's desired social or organizational outcomes.

**Grant** - A contribution by a government or other organization to support a particular function. Grants may be classified as either categorical or block depending on the amount of discretion allowed the grantee.

**Indirect Costs** - Costs associated with, but not directly attributable to, the operation of a department. Departments in the support of other operating departments usually incur these costs.

**Interdepartmental Charges** - The charge that a City "provider" department assesses another City "user" department for providing direct and measurable services.

**Interest** - The price paid for the use of money or the return on investment obtained from investing money.

**Interfund Transfers** - Transfer of net operating support from one fund to another.

**Liability** - Debt or other legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. The term does not include encumbrances.

**Maturity Date** - The date at which full and/or final payment of principal and interest is due on debt obligations.

**Modified Accrual Basis of Accounting** - A basis of accounting in which revenues are recognized in the accounting period when they become available and measurable. Expenditures are recognized in the accounting period in which the liability is incurred.

**Objectives** - Specific statements of desired ends, which can be measured.

**Operating Budget** - The portion of the budget that pertains to daily operations and provides basic governmental services. The operating budget contains all appropriations and revenues necessary to operate the government.

**Program** - An activity, or set of activities, that provides a particular service to citizens.

**Principal** - The par value or face value of a bond, note, or other fixed amount security, not including accrued interest.

**Property Tax** - Citywide taxes levied on all real property according to the property's valuation and tax rate.

**Reserve** - An account used to indicate that a portion of an operating fund's "fund balance" is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

**Revenue** - Funds that the government receives as income.

**Revenue Estimate** - An estimate of how much revenue will be earned from a specific revenue source for a current or future period, typically a future fiscal year.

**Revenue Source** - A category of revenue, such as property tax, borrowing, or state/federal aid.

**Serial Bond** - A written promise to pay a specified sum of money (principal face value) at a specified future date (maturity date), along with periodic interest paid at a specified percentage of the principal (interest rate). Serial bonds are typically used for long-term debt.

**Tax Levy** - The total amount to be raised by property taxes for the purpose stated in the City's financial plan for the General Fund.

**Tax Rate** - The amount of tax levied for each \$1,000 of assessed or full valuation.

**Tax Rate Limit** - The maximum legal property tax revenue for which a municipality may levy a tax. The limit may apply to taxes raised for a particular purpose or for general purposes. Also referred to as the "Constitutional Tax Limit."

**Tax Stabilization Reserve** - Another term for fund balance; the amount of fund balance used in the operating budget in order to keep tax rates stable.

**User Fees** - The payment of a charge or fee for direct receipt of a service by the party benefiting from the service.