

## Glossary of Budget Terms

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**ABATEMENT** - A complete or partial cancellation of a levy imposed by a government and usually applied to tax levies, special assessments and service charges.

**ACCOUNTING SYSTEM** - The total structure of records and procedures which discover, record, classify, summarize, and report information on the financial position and the results of operations of a government or any of its funds, fund types, balanced account groups, or organizational components.

**ALLOCATION** - To divide or share out for a specific purpose or to particular persons or departments.

**APPROPRIATION** - An authorization granted by a legislative body to make expenditures and incur obligations for a specific purpose. An appropriation is usually limited in amount and as to time when it may be expended. Operational appropriations usually expire at fiscal year end.

**ASSESSED VALUATION** - A value of real estate or other property by a government as a basis for levying taxes.

**ASSETS** - A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events.

**BOND** - A City may raise capital by issuing a written promise to pay a specific sum of money, called the face value or principal amount, at a specified date or dates in the future, together with periodic interest at a special rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.

**BUDGET** - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. The term usually indicates a financial plan for a single fiscal year.

**BUDGET HEARING** - A public meeting at which any citizen may appear and be heard regarding the increase, decrease or omission of any item in the proposed budget as presented in writing by the City Manager to the City Council.

**BUDGET MESSAGE** - A general discussion of the proposed budget as presented in writing by the City Manager to the City Council. The message contains an explanation of primary budget issues and policy changes found in the proposed budget.

**CAPITAL IMPROVEMENT** - A permanent addition to the City's assets, including the design, construction, or purchase of land, buildings, or facilities, or major renovations.

**CAPITAL IMPROVEMENT PROGRAM BUDGET** - A financial plan of proposed capital improvement projects with single and multiple-year capital expenditures. These include the construction of new streets, sewer lines, fire stations, development of a new park, or a significant study with long-term benefits to the Community. The Capital Program plan is a ten-year plan, which is updated annually. This program is often referred to as the "CIP".

**CAPITAL OUTLAY** - A budget category which includes all equipment having a unit cost of more than \$5,000 and an estimated useful life of over one year. Non-CIP capital outlay is budgeted in the City's operating budget.

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**CONTINGENCIES** - A budgetary provision representing that portion of the appropriations set aside to meet unforeseen expenditure requirements.

**CPI** - Consumer price index is a statistical measure of a weighted average of prices of a specified set of goods and services purchased by wage earners in urban areas.

**DEBT SERVICE** - Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or other long-term debt..

**DEPARTMENT** - A major organizational unit of the City that has been assigned overall management responsibility for a group of related operations.

**DEPRECIATION** - Expiration in the service life of fixed assets, attributable to normal wear and tear. The portion of the cost of a fixed asset which is charged as an expense during a particular accounting period. In accounting for depreciation, the cost of a fixed asset, less any salvage value is prorated over the estimated service life of such an asset. Each period is charged a portion of this total cost. Through this process, the entire cost of the asset is ultimately charged off an expense.

**ENCUMBRANCE** - Obligations in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved.

**ENTERPRISE FUND** - A governmental accounting fund in which the services provided are financed and operated similarly to those of a private business. The rate schedules for these services are established to insure that revenues are adequate to meet all necessary expenditures. Enterprise funds are established for services such as water and sewer, parking facilities, transit systems, airport, and golf courses.

**EXPENDITURE** - Actual cash disbursements for the cost of goods delivered or services rendered.

**FISCAL YEAR** - The time period designated by the City signifying the beginning and ending dates for recording financial transactions. The City of Modesto has specified July 1 to June 30 as its fiscal year.

**FIXED ASSETS** - Assets of a long-term character such as land, building, machinery, furniture, and other equipment with a value greater than \$1,000 and a useful life longer than one year.

**FORFEITURES** - The automatic loss of cash or other property as a penalty for not complying with legal provisions and as compensation for any resulting damages or losses.

**FRANCHISE** - A special privilege granted by a government, permitting the continued use of public property, such as city streets and usually involving the elements of a monopoly or regulation.

**FUNCTION** - A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., general government; streets and highways; parks and recreation; public works and public safety).

**FUND BALANCE** - Also known as financial position, fund balance is the excess of assets over liabilities, and represents the cumulative effect of revenues and other financing sources over expenditure and other financing uses.

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**FUND** - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**GENERAL FUND** - The primary operating fund of the City used to account for all revenues and expenditures of the City not legally restricted as to use. Examples of departments financed by the General Fund include the City Council, Police and Fire Departments, and others general services.

**GENERAL FUND DISCRETIONARY REVENUE** - The General Fund is the primary operating fund of the City. It accounts for normal, recurring activities traditionally associated with government. General Fund discretionary money is revenue not restricted to special purposes such as collected fees, interfund labor charges, service credits, and indirect cost recoveries and can be used to support general government activities.

**GENERAL OBLIGATION BOND** - Bonds used for various purposes and repaid by the regular revenue raising powers of the City. The City of Modesto has no outstanding general obligation bonds.

**GNP** - Gross National Product is the total market value of all final goods and services produced by the entire economy in a one-year period.

**GRANT** - Contributions or gifts of cash or other assets from another governmental entity to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant given by the Federal Government.

**INDIRECT COSTS** - Those elements of cost necessary in the production of a good or service that are not directly traceable to the product or service.

**INTERFUND TRANSFERS** - Amounts transferred from one fund to another.

**INTERNAL SERVICE FUND** - Funds used to account for the financing of goods or services provided by one department to another department on a cost reimbursement basis, for example; the Fleet Management Fund, which maintains the City's equipment pool; or the Central Services Fund, which provides office supplies and various materials for maintenance and construction.

**NET DISCRETIONARY SUPPORT** - Total operational costs after taking into account related fees and charges and other revenue. This represents the true general tax support for an operation.

**OPERATING BUDGET** - The portion of the budget pertaining to the daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel.

**ORDINANCE** - A formal legislative enactment by the City Council. It has the full force and effect of law within City boundaries unless pre-empted by a higher form of law. An ordinance has a higher legal standing than a resolution.

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**PERFORMANCE MEASURES** - A performance measure is a public oriented measure which, whether stated in terms of effectiveness or efficiency, quantitatively describes how well a service is being performed. The foundation of performance measures is understanding the relationship between program inputs, outputs, efficiency, effectiveness, and ultimately program outcomes.

**RECESSION** - A noticeable drop in the level of business activity.

**REIMBURSEMENT** - Repayments of amounts remitted on behalf of another party, or interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but properly applied to another fund.

**RESERVE** - An account used to earmark a portion of fund balance to indicate that it is not available for expenditure.

**RESOLUTION** - A special order of the City Council which has a lower legal standing than an ordinance.

**RETAINED EARNINGS** - An equity account reflecting the accumulated earning of an enterprise or internal service fund.

**REVENUE** - Funds that the government receives as income. It includes such items as taxes, fees, permits, licenses, grants and interest.

**SPECIAL ASSESSMENT** - A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

**SPECIAL REVENUE FUND** - A fund in which revenue is collected and is restricted by the City, State or Federal Government as to how the city might spend its resources.

**SUBSIDY** - A grant by government to another government entity to assist in an enterprise deemed advantageous to the public.

**TAXES** - Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. The term does not include specific charges made against particular persons or property for permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges as, for example, water service charges.

**TRUST AND AGENCY FUNDS** - Also known as Fiduciary Fund Types, these funds are used to account for assets held by the City in a trustee capacity or as an agent for private individuals, organizations, or other governmental agencies. The fiduciary funds used by the City are investment trust, non-expendable trust and agency funds.

**USER CHARGES** - The payment of a fee for direct receipt of a public service by the party benefiting from the service.

**WORKING CAPITAL** – Also known as “financial position” in the private sector, working capital is the excess of current assets over current liabilities. For enterprise funds, this term is used interchangeably with “fund balance”, a comparable financial position concept in the governmental fund types.