

Glossary

Accounting System – The total set of records and procedures which are used to record, classify, summarize and report information on the financial status and operation.

Accrual Basis of Accounting – The method of accounting under which revenues are recorded when they are earned and expenditures are recorded when goods and services are received.

Allocation – A part of a lump sum appropriation which is designated for expenditure by specific organization units and/or for specific purposes, activities or objects.

Annual Budget – A budget applicable to a single fiscal year. See also Budget.

Annualize – Taking changes that occurred mid-year and calculating their costs for a full year for the purpose of preparing an annual budget.

Appropriation – A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

Appropriation Ordinance – It is the method by which the expenditure side of the annual budget is enacted into law by the legislative body.

Assessed Valuation – A valuation set upon real estate or other property by a government as a basis for levying taxes.

Assessment – The process of making the official valuation of property for purposes of taxation. The valuation placed upon property as a result of this process.

Asset – Resources owned or held by a government which has monetary value.

Audit – An official inspection of accounts, typically by an independent body.

Available (Unassigned) Fund Balance – The funds remaining from the prior year which are available for appropriation and expenditure in the current year.

BBB Tax (3rd Penny Sales Tax) – The additional 1% sales tax generated on revenues raised through Bed, Board and Booze sales. Examples of these types of revenue include; hotel/motel, prepared food, alcoholic beverages.

Balanced Budget – As defined in the South Dakota Statutory requirements for municipalities, a budget is considered balanced if the total of all available financial resources equals or exceeds the total of all financial requirements.

Bond – A long-term I.O.U. or promise to pay. It is a promise to repay a specific amount of money (face value of the bond) on a particular date which is the maturity date. Bonds are primarily used to finance capital projects.

Bonded Debt – That portion of indebtedness represented by outstanding bonds.

Budget – A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

Budget Message – The opening section of the budget which provides the Mayor, City Council and public with a general summary of the most important budget issues, changes from the recent fiscal year and recommendations regarding the financial policy for the coming year.

Capital Assets – Land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital Improvement – Major construction, acquisition or renovation activities which add value to a government's physical assets or significantly increase their useful lives. Also called Capital Projects.

Capital Projects Funds – Funds used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Capital Outlay – Expenditures for the acquisition of capital assets.

Cash Basis – The method of accounting under which revenues are recorded when received in cash and expenditures are recorded when paid.

Contingency – A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

Debt Service – Payment of interest and repayment of principal to holders of a government's debt instruments.

Deficit – The excess of an entity's expenditures or expenses over revenues during a single accounting period.

Debt Service Fund – Funds used to account for financial resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Department – A major administrative division of the City which indicates overall management responsibility for an operation or a group of related operation within a functional area.

Depreciation – Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence.

Disbursements – The expenditure of monies from an account.

Enterprise Fund – A governmental accounting fund in which the services provided are financed and operated similarly to those of a private business. User fees are established and revised to ensure that revenues are adequate to meet all necessary expenditures. The City has established Enterprise Funds for Electric, Wastewater, Healthy System, Telephone, Liquor Store, Water, Airport, Golf, Solid Waste, and Research and Technology operations.

Expenditures – Decreases in net financial resources. Where accounts are kept on the accrual or modified accrual basis of accounting, the cost of goods received or services rendered whether cash payments have been made or not. Where accounts are kept on a cash basis, expenditures are recognized only when the cash payments for the above purposes are made.

Fiduciary Funds – Funds used to account for resources held for the benefit of parties outside the City government.

Fiscal Year – The time period designated by the City signifying the beginning and end of the financial reporting period. The City has established a January 1 to December 31 fiscal year.

Fund – A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources with all related liabilities and residual equities or balances and changes which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Fund Balance – The excess of fund assets over its liabilities. A negative fund balance is sometimes called a deficit.

Fund Type – In governmental accounting, all funds are classified into seven generic fund types; General, Special Revenue, Debt Service, Capital Projects, Enterprise, Internal Service and Trust and Agency.

General Fund – The general operating fund was established to account for resources and uses of general operating functions of City departments.

Governmental Funds – Funds generally used to account for tax-supported activities. The governmental funds are: General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

Grants – This funding source includes State and Federal subsidies received in aid of the public undertaking.

Infrastructure – The physical assets of the city such as streets, water, sewer, public buildings and parks.

Internal Service Fund – Funds used to account for the financing of goods or services

provided by one department or agency to other departments or agencies of the primary government.

Levy – (verb) To impose taxes, special assessments, or service charges for the support of governmental activities. (noun) The total amount of taxes, special assessments or service charges imposed by a government.

Liabilities – Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed or refunded at some future date. This term does not include encumbrances.

Major Fund – Primary operating fund of the City (General Fund) or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and,
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined; or,
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operation.

Maturities – The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.

Mills – The property tax rate which is based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of property valuation.

Modified Accrual Basis – The basis of accounting under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when received in cash except for material and/or available revenues, which should be accrued to reflect properly the taxes levied and revenue earned.

“No Debt” Debt – This term describes a financial debt or obligation of the City that does not reduce or count against the legal debt limit of the City because the repayment of this debt is secured by a surcharge on utility user charges.

Non-major Fund – A fund that does not meet the requirements to be considered a major fund.

Object of Expenditure – As used in expenditure classification, this term applies to the article purchased or the service obtained. Examples are personal services, contractual services, materials and supplies.

Operating Budget – A plan of financial operation embodying an estimate of proposed expenditures for the calendar year and the proposed means of financing them (revenue estimates).

Operating Transfer – Routine and/or recurring transfers of assets between funds. Legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended; transfers of tax revenues from the general fund to special revenue funds or to an enterprise fund and transfers from an enterprise fund.

Other Financing Sources – Governmental fund general long term debt proceeds, operating transfer-in and material proceeds of fixed assets dispositions. Such amounts are classified separately from revenues.

Other Financing Uses – Governmental fund operating transfers-out. Such amounts are classified separately from expenditures.

Performance Measures – Statistical measures which are collected to show impact of dollars spent on City services.

Personnel Services – Salaries and wages paid for services performed by employees of the City, and fringe benefit costs associated with these services.

Proprietary Fund – Funds that focus on the determination of operating income, changes in net position, financial position, and cash flows. There are two types of proprietary funds: enterprise funds and internal service funds.

Reserve – An account used to either set aside budgeted revenues that are not required for expenditures in the current budget year or to earmark revenues for a specific future purpose.

Retained Earnings – An equity account reflecting the accumulated earnings of an Enterprise or Internal Service Fund.

Revenues – The term designates an increase to a fund's assets which

1. Does not increase a liability (e.g. proceeds from a loan);
2. Does not represent a repayment of an expenditure already made;
3. Does not represent a cancellation of certain liabilities;
4. Does not represent an increase in contributed capital.

Revenue Estimate – A formal estimate of how much revenue will be earned from a specific revenue source for some future period typically a future fiscal year.

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 – Governmental fund type used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted or committed to expenditures for specified purposes.

Tax Increment Fund (TIF) – Established to account for the financial activities of a Tax Increment District (TID). These Districts are created to capture the incremental tax revenues generated by the development of the district over a period of 20 years.

Tax Levy – The total amount to be raised by general property taxes for the purposes stated in the Ordinance approved by the governing body to the County Auditor.

Tax Rate – The amount of taxes (mills) levied for each \$1,000 of assessed valuation.

Transfers In/Out – Amounts transferred from one fund to another to assist in financing the service for the recipient fund.

Tax Rate – The amount of taxes (mills) levied for each \$1,000 of assessed valuation.

Unassigned Fund Balance – The portion of a fund's balance that is not restricted for a specific purpose and is available for general appropriation.

User Charges – The payment of a fee for direct receipt of a public service by the party who benefits from the service.



www.cityofbrookings.org

