

GLOSSARY OF BUDGET TERMS

ACCRUAL BASIS: The method of accounting under which revenues and expenses are recorded when they occur, regardless of the timing of related cash flows. Expenses are recorded at the time liabilities are incurred and revenues are recorded when earned.

ADOPTION: Formal action by the City Council that sets the spending limits for the fiscal year.

APPROPRIATION: City Council authorization permitting the City to incur obligations and expend resources during the fiscal year.

ASSESSED VALUATION: An official governmental value placed upon real estate or other property as a basis for levying taxes.

ASSESSMENTS: Levies that pay for improvements directly benefiting the property owners.

AUDIT: a review of the City's accounts by an independent auditing firm to substantiate year-end fund balances, reserves, and cash on hand.

BAN: Bond Anticipation Note.

BASE BUDGET: Ongoing expense for personnel, contractual services, and the replacement of supplies and equipment to maintain service levels previously authorized by the City Council.

BEGINNING/ENDING FUND BALANCE: Unencumbered resources available in a fund from the prior/current year after payment of the prior/current year's expenses. This is not necessarily cash on hand.

BOND: A funding tool representing a written promise to pay a specific sum (face value or principal amount) in the future (maturity date), plus interest. In local California government, bonds are only used to finance capital improvements. There are two types of bonds:

GENERAL OBLIGATION BOND: A bond requiring a 2/3 vote of the registered voters and backed by the full faith, credit, and taxing power of the municipality.

REVENUE BOND: A bond backed by either the revenue produced by the capital improvement or by commitment of a specific revenue source.

BOND PROCEEDS: Debt issuances derived from the sale of bonds for the purpose of constructing major capital facilities.

BUDGET: A financial plan listing proposed operational expenditures and revenue estimates for a particular time period. The budget is proposed until it has been approved and adopted by the City Council. Palmdale's budget encompasses one fiscal year (July 1 to June 30).

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 principal budget items relative to the current year adopted budget.

CAFR: The Comprehensive Annual Financial Report of the City which shows the financial status of the City.

GLOSSARY OF BUDGET TERMS

CAPITAL BUDGET: The appropriation of bonds, operating revenue, or fees for improvements to City facilities including buildings, streets, sewer lines, parks, traffic signals, drainage, etc.

CAPITAL IMPROVEMENT PROGRAM: A financial plan of proposed capital improvement projects with single and multiple-year capital expenditures. The City of Palmdale's Capital Improvement Program is a ten-year plan, which is updated annually.

CAPITAL IMPROVEMENT PROJECTS (CIP): A permanent addition to the City's assets, including the design, major renovation, construction, or purchase of land, buildings, or facilities. This includes physical structural improvements with a cost of \$10,000 or more and a useful life of one year or more. Examples include a new park, building modifications, traffic signals, resurfacing of streets and drainage improvements.

CAPITAL OUTLAY: A budget category that budgets all equipment having a unit cost of more than \$5,000. Capital Outlay is budgeted in the operating budget as opposed to the capital improvement budget.

CONTINGENCY FUND: A budgetary reserve set aside for emergency or unanticipated expenditures.

CONTINUING APPROPRIATION: Resources appropriated for a specific expenditure that is carried over from the prior fiscal year.

DEBT RATIO: Total debt divided by total assets. Used by Finance to assess fiscal health, internal controls, etc.

DEBT SERVICE: Payments of principal and interest on an obligation resulting from the issuance of bonds, notes, or loans.

DEBT SERVICE REQUIREMENTS: The amount of money required to pay principal and interest on outstanding debt or to accumulate monies for future retirement of term bonds.

DEFICIT: An excess of expenditures or expenses over resources.

DEPARTMENT: An organizational unit comprised of divisions or programs. This basic organizational unit of government is functionally unique in its delivery of services.

DIVISION: An organizational component of a department.

ENCUMBRANCES: Resources committed for future expenditures as a result of signing executory contracts such as purchase orders and specific contracts for goods and services.

ENTERPRISE FUND: An accounting entity that is financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis is financed or recovered primarily through user charges.

EXPENDITURE: The actual spending of funds set aside by an appropriation.

FISCAL YEAR: A twelve-month accounting period used by the City. The City of Palmdale's fiscal year begins July 1 and ends June 30.

GLOSSARY OF BUDGET TERMS

FULL TIME EQUIVALENT POSITION (FTE): A Part Time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part time typist working 20 hours per week would be equivalent to 0.5 of a full-time position.

FUND: An independent fiscal and accounting entity with a self-balancing set of accounts to record revenue and expenditures.

FUND BALANCE: The amount of financial resources available for use.

GAAP: Generally Accepted Accounting Principles. Uniform standards for financial accounting and recording, encompassing the conventions, rules and procedures that define accepted accounting principals.

GASB: Governmental Accounting Standards Board is the current standards setting board for governmental GAAP.

GENERAL FUND: The primary fund of the City used to account for all revenues and expenditures related to municipal services and maintenance. Examples of departments financed by the General Fund include the City Council, Finance, Planning and Law Enforcement.

GENERAL OBLIGATION BOND: A bond requiring a 2/3 vote of the registered voters and backed by the full faith, credit and taxing power of the municipality. This type of bond is used to finance capital improvements in local California governments.

GOAL: A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless; that is, it is not concerned with a specific achievement in a given time period.

GRANT: A contribution by a government or other organization to support a specific purpose, activity, or facility.

INFRASTRUCTURE: Facilities upon which the continuance and growth of a community depend such as roads, sewers, public buildings, parks, etc.

INTERFUND TRANSFERS: The reallocation of money from one fund to another. The receiving fund must spend the transferred money in a way that complies with any restrictions placed on the money when it was originally received by the donor fund.

INVESTMENT POLICY: A written and Council adopted policy delineating permitted investments of the City's idle cash. The City of Palmdale Investment Policy is typically updated and reaffirmed annually.

MODIFIED ACCRUAL BASIS: The accrual basis of accounting adapted to the governmental fund type spending measurement focus. Under it, revenues are recognized when they become both measureable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

MUNICIPAL CODE: A book that contains City Council approved ordinances currently in effect. The Code defines City policy with respect to areas such as planning, business licensing, etc.

GLOSSARY OF BUDGET TERMS

OBJECTIVE: Desired output oriented accomplishments that can be measured and achieved within a given time frame. Achievement of the objective advances the activity and organization toward a corresponding goal.

OPERATING BUDGET: Annual appropriation of funds for on-going program costs, including salaries and benefits, services and supplies, debt service, capital outlay, and capital improvements.

OPERATING EXPENDITURES: Expenditures for materials, supplies, and services which are ordinarily consumed within a fiscal year and which are not included in departmental inventories.

ORDINANCE: A formal legislative enactment by the City Council that 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.

PERS: Public Employees Retirement System.

PERSONNEL: A budget category used to account for employee compensation including wages and salaries and fringe benefits, such as health, life, and disability insurance, retirement, and car allowance/mileage.

PROGRAM: A group of related activities performed by one or more organizational units for the purpose of accomplishing a function.

PROPERTY TAX: An "ad valorem" tax on real property, based upon the value of the property.

PROPERTY TRANSFER TAX: A tax imposed whenever the ownership of real property changes.

REIMBURSEMENT: Payment of amount remitted on behalf of another party, department, or fund.

RESERVE: An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

RESOLUTION: A special order of the City Council having a lower legal standing than an ordinance.

RESOURCES: Total amounts available for appropriation including estimated revenues, fund transfers, and beginning fund balances.

REVENUES: Money received by the City from taxes, fees, permits, licenses, interest, etc. or from other governments during the fiscal year.

REVENUE BONDS: A bond usually issued to construct facilities that is backed by either the revenue produced by the capital improvement or by commitment of a specific revenue source.

SPECIAL REVENUE FUNDS: A fund used to account for revenues that are restricted in use by the City, State, or Federal Government.

SUBVENTIONS: Intergovernmental revenues paid to the City by another government, such as the State.

TRANSFER: A transfer is a transaction whereby the fund receiving the revenue transfers money to the fund expending the revenue. An example would be an operating transfer from a Special Revenue Fund to the Capital Projects Fund for construction expenditures.

USER FEES/CHARGES: Charges of a voluntary nature paid by the person receiving the service in exchange for the fee.