

## BUDGET TERMS AND DEFINITIONS

<b>Accruals</b>	Accruals are adjustments for revenues that have been earned but not yet recorded in the accounts, and expenses that have been incurred but are not yet recorded in the accounts. The accruals need to be added via adjusting entries so that the financial statements reflect these amounts.
<b>Activities</b>	Specific services performed in accomplishing program objectives and goals. (See Program)
<b>Adjusted Budget</b>	The current year Adopted Budget plus Council approved budget adjustments, plus encumbrances.
<b>Appropriation</b>	An authorization made by the Council that permits the City to incur obligations and to make expenditures of resources.
<b>Assessed Valuation</b>	An official value established for real property or other property as a basis for levying property taxes.
<b>Assessment District</b>	Not a separate governmental entity, but rather a defined area of land which will be benefited by the acquisition, construction or maintenance of a public improvement.
<b>Audit</b>	A financial audit is a review of the accounting system and financial information to determine how government funds were spent and whether expenditures were in compliance with the City Council's appropriations.
<b>Block Grant</b>	A Federal grant allocated according to pre-determined formulas and for use within a pre-approved broad functional area such as the CDBG (Community Development Block Grant).
<b>Bonds</b>	A form of borrowing which reflects a written promise from the City to repay a sum of money on a specific date at a specified interest rate. Bonds are used to finance capital improvement projects such as buildings, streets, and bridges.
<b>Budget</b>	A financial plan for a specific period of time that matches planned revenues and expenditures to various municipal services.
<b>Budget Amendment</b>	Under the City Charter, the Council has the sole responsibility for adopting and amending the budget at any time by resolution with five affirmative votes.
<b>Budget Message</b>	The opening section of the budget document which provides the City Council and the public with a general summary of the most important aspects of the budget, changes from previous fiscal years and present recommendations made by the City Manager.
<b>Budget and Fiscal Policies</b>	General and specific guidelines adopted by the Council that govern financial plan preparation and administration.
<b>Business Improvement District</b>	A public-private partnership in which businesses in a defined area pay special taxes, fees, and/or assessments to fund public facility improvements and programs in the area.



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<b>California State Controller</b>	The Controller is the Chief Fiscal Officer of the state and is elected every four years. The controller is responsible to: account and disburse all state funds; determine the legality and accuracy of claims against the state; pay the state's bills; audit and process all personnel and state payroll transactions; audit various state and local government programs; administer the Unclaimed Property Law; and inform the public of financial transactions of City, County, and District governments.
<b>Capital Expenditure</b>	Any expenditure incurred for acquiring fixed assets such as land, building, machinery, furniture, motor vehicles, and fixed asset improvements. The cost of the fixed asset would include all expenditures up to the point the asset is put into use.
<b>Capital Improvement Program (CIP)</b>	A plan for capital expenditures to provide for the acquisition, expansion, or rehabilitation of an element of the City's physical property to be incurred over a fixed period of time.
<b>Cash Basis</b>	An accounting method that recognizes income and deductions when money is received or paid. The modified-accrual method is the preferred method for government entities.
<b>Certificates of Participation</b>	Form of lease-purchase financing used to construct or acquire capital facilities and equipment.
<b>Cost of Living Adjustment (COLA)</b>	Adjustment of wages designed to offset changes in the cost of living, usually as measured by the consumer price index.
<b>Debt Limit</b>	Total amount of money that the City government is authorized to borrow to meet its existing legal obligations. The debt limit does not authorize new spending commitments. It allows the City government to finance existing legal obligations made in the past.
<b>Debt Service</b>	Payments of principal and interest on bonds and other debt instruments according to a predetermined schedule.
<b>Debt Service Funds</b>	This fund type is used to account for the payment and accumulation of resources related to general long-term debt principal and interest; debt service payments related to enterprise operations are directly accounted for in those funds.
<b>Department</b>	A major organizational unit of the City that has been assigned overall management responsibility for an operation or a group of related operations within a functional area.
<b>Depreciation</b>	Allocation process of the cost of a capital asset to the periods during which the asset is used.
<b>Division</b>	A unit of organization that reports to a department.
<b>Encumbrance</b>	Obligations in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation and for which part of the appropriation is reserved.



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<b>Enterprise Funds</b>	A proprietary fund used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the legislative body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The rate schedules for these services are established to ensure that revenues are adequate to meet all necessary expenditures.
<b>Expenditure</b>	The outflow of funds paid or to be paid for an asset, goods or services regardless of when the invoice is actually paid. This term applies to all funds. Note: an encumbrance is not an expenditure; an encumbrance reserves funds to be expended. (See Encumbrance)
<b>Fee</b>	The amount charged by the City to provide a specific service, tied directly to the cost of providing such service.
<b>Fiscal Year</b>	The beginning and ending period for recording financial transactions. The City has specified July 1 to June 30 as its fiscal year.
<b>Fixed Assets</b>	Assets of significant value that have a useful life in excess of one year.
<b>Fund</b>	An accounting entity that records all financial transactions for specific activities or government functions. The generic fund types used by the City are: General Fund, Special Revenue, Debt Service, Capital Project, Enterprise, Internal Service, Agency and Special Assessment funds.
<b>Fund Balance</b>	The net effect of assets less liabilities at any given point in time.
<b>General Fund</b>	The primary operating fund of the City, all revenues that are not allocated by law or contractual agreement to a specific fund are accounted for in the General Fund. Except for subvention or grant revenues restricted for specific uses, General Fund resources can be utilized for any legitimate governmental purpose. (See Fund)
<b>Goal</b>	A statement of broad direction, purpose or intent by City Council.
<b>Governmental Funds</b>	Funds generally used to account for tax supported activities. These include General, Special Revenue, Capital Project and Debt Service.
<b>Internal Service Fund</b>	A fund used to account for services provided by one department to other departments on a cost reimbursement basis.
<b>Modified Accrual Basis</b>	Accounting basis in which expenditures are accrued but revenues are accounted for on a cash basis. This accounting technique is a combination of accrual and cash accounting since expenditures are immediately incurred as a liability when they are committed, while revenues are not recorded until they are actually received or are "measurable" and available for expenditure.
<b>Nondepartmental</b>	Designated budgets that provide for performance of work or purchase of goods that cross or transcend departmental lines.



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<b>Objective</b>	A statement of specific direction, purpose, or intent based on the needs of the community and the goals established for a specific program.
<b>Operating Budget</b>	The portion of the budget that pertains to daily operations and delivery of basic governmental services. The program budgets in the financial plan form the operating budget.
<b>Ordinance</b>	A law passed by the legislative authority, the City Council, of a local jurisdiction.
<b>Organization</b>	Organized structure of roles and responsibilities functioning to accomplish predetermined objectives.
<b>Organization Chart</b>	A chart reflecting the interrelationships of positions within an organization in terms of authority and responsibilities.
<b>Overhead</b>	Indirect expenses of running an organization not directly associated with a particular item or service, also referred to as Indirect Cost.
<b>Program</b>	An organized, self-contained set of related work activities within a department or division which are directed toward common objectives and represent a well-defined expenditure of City resources.
<b>Program Budget</b>	A budget which allocates money to the functions or activities of a government rather than to specific items of cost or to specific departments.
<b>Proprietary Fund</b>	A fund that accounts for operations that are financed and operated in a manner similar to business enterprises. Such a fund is established as a self-supporting operation with revenues derived primarily from fees, charges, or contracts for services.
<b>Prioritizing Unfunded Liability Liquidation</b>	The PULL Plan calls for the City to direct up to 50% of all annual General Fund carryover toward funding of unfunded liabilities over five years with a goal of allocating \$5,000,000 toward reducing unfunded liabilities funds to be placed in a post-retirement health care plan trust.
<b>Recognized</b>	The time at which an item is officially recorded and measurable, as with a financial transaction.
<b>Reserve</b>	An account used to designate a portion of the fund balance for a specific future use and is therefore not available for general appropriation.
<b>Resolution</b>	A legal order by a government entity.
<b>Revenues</b>	Funds received from various sources and treated as income to the City to be used to finance expenditures. Revenues include such items as taxes, fees, user fees, grants, fines, forfeits, and interest income.



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<b>Special Assessment</b>	A tax or levy customarily imposed against only those specific parcels of real estate that will benefit from a proposed public improvement, as opposed to a general tax on the entire community. Because the proposed improvement will enhance the value of the affected homes, only those affected owners must pay this special lien. Common examples of special assessments are lighting and landscaping, sidewalk and sewer assessments, or other special improvements such as parks and recreational facilities.
<b>Special Revenue Fund</b>	A government account established to collect money that must be used for a specific project. Special revenue funds provide an extra level of accountability and transparency to taxpayers that their tax dollars will go toward an intended purpose.
<b>Unreserved Fund Balance</b>	In a governmental or expendable trust fund, the balance of net financial resources that are available for appropriation.

