

Glossary

Activity Budget(s): Cost centers or specific and commonly recognized service functions within a fund or department to which specific expenses are to be allocated.

Ad Valorem: Imposed at a rate percent of the value as stated in determining property taxes.

Appropriation: An expenditure authorization made by the Common Council, which permits charges against specified funding sources. Appropriations are usually made for fixed amounts and are typically approved for the entire fiscal year unless otherwise amended by the City Council.

Approved/ Adopted Budget: The City's budget & expenditure authority as adopted by the Common Council in a vote conducted after a City Charter-required public hearing to collect public input on the Proposed Budget.

Assessed Valuation: The estimated value placed upon real and personal property by the County Assessor.

Assets: Property owned by the City, which has monetary value.

Audit: A systematic examination of resource utilization concluding in a written report. It is a test of management's internal controls and is intended to:

- Ascertain whether financial statements fairly present financial positions and results of operations;
- Test whether transactions have been legally performed;
- Identify areas for possible improvements in accounting practices and procedures;
- Ascertain whether transactions have been recorded accurately and consistently;
- Ascertain the stewardship of officials responsible for governmental resources.
- Certain audited funds related to trustee accounts, bonding and capital leases are not budgeted or included in this document.

Balanced Budget: The budgeted revenues (plus available cash reserves) are equal or more than the budgeted expenditures.

Base Budget: The budget predicated on maintaining the existing level of service.

Bond (Debt Instrument): A written promise to pay (debt) a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt to pay for specific capital improvements.

Budget Amendment: Adjustments made to the budget or approved expenditure authority during the fiscal year by the Common Council to properly account for unanticipated changes, which occur either in revenues or expenditures or for programs or policy objectives initially approved for the fiscal year.

Budget (Operating): A plan of financial operations embodying an estimate of proposed expenditures for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates). The term is also sometimes used to denote the officially approved expenditure ceiling under which the City and its departments operate.

Budget Basis: The basis by which a City determines its budget. The budget basis may be cash, accrual, modified accrual or some other basis. The City of South Bend uses the cash basis for budgeting.

Budget Calendar: The schedule of key dates or milestones that the City follows in the preparation and adoption of the budget.

Budgetary Control: The level at which expenditures cannot legally exceed the appropriated amounts.

Budgeted Funds: Funds that are planned for certain uses. The budget document that is submitted for Common Council approval is composed of budgeted funds.

Budget Message: Initially, a general discussion of the proposed budget document presented in writing as a supplement to the budget document. The budget message explains principle budget issues against the background of financial experience in recent years and presents recommendations.

Capital Expenditures: The expenditures for the acquisition of capital assets; whether major assets with long-term useful life spans or shorter-term operational capital needs such as office equipment, small tools & machinery. The expenditures are financed by either capital debt or cash-pay-as-you-go. Generally, equipment with a cost of \$10,000 or more and a useful life of at least one year is considered a capital expenditure.

Cash Management: The management of cash necessary to pay for government services while investing temporarily idle cash in order to earn interest. Cash management refers to the activities of forecasting the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds safely in order to achieve the highest interest on temporary cash balances.

CIP: Abbreviation for Capital Improvement Program.

COIT: Abbreviation for County Option Income Tax. COIT is based on wages paid in the County.

Contingency: An estimated amount of funds needed for deficiency or emergency purposes. An annual appropriation to cover short falls in revenue and/or underestimation of expenditures.

Contractual Services: Items of expenditure from services that the City receives from an outside company. HVAC, maintenance, custodial services, Building, Mechanical, and Plumbing Inspectors are examples of contractual services.

CPI: Abbreviation for Consumer Price Index.

Debt Service: The City's obligation to pay the principal and interest of all bonds and other debt instruments according to a pre-determined payment schedule.

Department: A major activity of the City, which indicates overall management responsibility for an operation of a group of related operations within a functional area.

Depreciation: That portion of the cost of a capital asset, used during the year to provide service.

DLGF: Abbreviation for the Indiana Department of Local Government Finance. The DLGF is a state agency that approves the budgets and property tax rates.

EDIT: Abbreviation for Economic Development Income Tax. EDIT is based on wages paid in the County. Also referred to as County Economic Development Income Tax or “CEDIT”.

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 ensure that revenues are adequate to meet all necessary expenses. Enterprise funds are established for services such as water and sewer utilities.

Estimated Revenue: The amount of projected revenue to be collected during the fiscal year.

Expenditure: The cost of Governmental Fund goods delivered and services rendered, whether paid or unpaid.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance: For financial reporting, fund balance is the difference between assets and liabilities in a governmental fund. Fund balance is required to be reported in two components—reserved and unreserved. When fund balance is reserved, it either means that the resources are in a form that cannot be appropriated and spent or that the resources are legally limited to being used for a particular purpose. For instance, grant monies from the federal government that may be used only for a road project would be reported as reserved fund balance in a street fund. Likewise, the City’s cemetery trust funds in the General Fund are nonexpendable resources that can be invested but not spent—as reserved fund balance. The portion of fund balance that is not reserved is fittingly called unreserved fund balance. For budgeting, fund balance is equal to cash balance as the City utilizes the cash basis of budgeting.

GAAP: Abbreviation for Generally Accepted Accounting Principles.

GASB: The Governmental Accounting Standards Board, which provides direction in accounting and reporting requirements for units of government.

Gateway: The State of Indiana budget and financial reporting program that local units of government are required to use.

General Fund: The largest fund within the City, the General Fund accounts for most of the financial resources of the government that may be used for any lawful purpose. General Fund revenues include property taxes, licenses and permits, service charges, and other types of revenue. This fund usually includes most of the basic operating services, such as police protection, finance, public services and general administration.

General Obligation Bonds: When the City pledges its full faith and credit to the repayment of the bonds it issues, those bonds are General Obligation (G.O.) bonds.

GFOA: Abbreviation for Government Finance Officers Association.

Investment: Securities purchased and held for the production of income in the form of interest.

KPI: Abbreviation for Key Performance Indicator. Also known as Performance Measure.

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

Long Term Debt: Debt with a maturity of more than one year.

Maturities: The date on which the principal or stated values of investments or debt obligation mature and may be reclaimed.

Net Assessed Value: Total value of property less certain deductions like homestead deductions, tax abatements, exempt property, and TIF property.

Net Debt: All City Debt net of special assessment, transportation fund and revenue bond debt.

Per Capita Basis: Per unit of population.

Revenue: An addition to the assets of a fund, which does not increase a liability, does not represent the recovery of an expenditure, does not represent the cancellation of a liability without a corresponding increase in any other liability or a decrease in assets, and does not represent a contribution of fund capital in an enterprise.

SBOA: Abbreviation for the Indiana State Board of Accounts. The SBOA is a state agency that performance the function of private accounting firms in other states.

Surplus Funds: Liquid or Non-Liquid Funds not immediately needed to pay demands against vendors and other claimants as determined by management.

Structurally Balanced Budget: A budget that is sustainable for multiple years into the future.

Tax Base: The total value of taxable property in the City.

TIF: Abbreviation for Tax Increment Financing. A fund that captures the increase in net assessed value on properties in an area to provide property tax revenue for economic development projects.

Transfers- In/Out: A legally authorized funding transfer between funds in which one fund is responsible for the initial receipt and the other fund is responsible for the actual disbursement.

Trust and Agency Fund: Trust and Agency funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds.

Utilities Fund: This enterprise fund is used to account for the provision of water, sewer and solid waste services to the customer financed primarily by user charges.

Working Capital: Working Capital is generally defined as current assets less current liabilities; however, this is to some extent, an abstract concept. If all of the current assets were converted to cash at their book value and all the current liabilities paid, then working capital would be the amount of cash remaining. For the City's Utilities Fund, current assets are comprised of cash and cash equivalents, receivables and inventory; and current liabilities are comprised of accounts payables, accrued liabilities and the current portion of next fiscal year's long-term debt.