

# **GLOSSARY**

## **GLOSSARY**

Activity Center – the basic operational organization for which costs are defined and measurable activities or functions are performed.

Annual Budget – a budget applicable to a single fiscal year.

Appropriation – an authorization granted by the City Council to a specified unit of City government to incur obligations and make expenditures of resources.

Assessment – the official valuation of property for purposes of taxation.

Bond – a written promise to pay a specified sum of money (called principal) at a specified date in the future, plus periodic interest at a specified rate. In the budget document these payments are identified as debt service. Bonds may be used as an alternative to tax receipts to secure revenue for long-term capital improvements. General Obligation Bonds are debt approved by voter referendum to which the full faith and credit of the City is pledged.

Budget – a plan for the acquisition and allocation of resources to accomplish specified purposes. The term may be used to describe special purpose fiscal plans or parts of a fiscal plan, such as “the budget of the Finance Department,” “the Capital Budget” or it may relate to a fiscal plan for an entire jurisdiction, such as “the budget of the City of Saco, Maine.”

Capital – a category of account codes which identify major expenditures of public funds, beyond maintenance and operating costs, for procurement of items such as vehicles, computer equipment, office furniture, and the acquisition or construction of a needed physical facility.

Capital Equipment – fixed assets such as automobiles, typewriters, furniture, technical instruments etc., which have a life expectancy of more than one year and a value over five hundred dollars.

Capital Improvement Program (CIP) – a document which provides a prioritization and orderly implementation of short and long range plans for land acquisition and construction of capital projects. It further provides for the scheduling of the associated expenditures over a period of several years in order to maximize the use of public funds. The first year of the program represents the proposed capital budget for that fiscal year. The schedule is based on a series of priorities which take into consideration the respective projects’ function and urgency. In addition, special consideration is given to the projects’ relation to other improvements and plans, and the City’s current anticipated financial capacity. The Capital Improvement Program is updated annually, at which time the schedule and the projects are reevaluated, new or deferred projects are added, and the time frame is extended by one additional fiscal year.

Capital Outlays – expenditures which result in the acquisition of or an addition to fixed assets.

Carry-over Funds – carry-over funds are the result of unspent appropriations in the prior year, new growth, the expansion of the tax base beyond what was projected and increased revenues over estimated amounts. They are brought forward from the preceding fiscal year reserves. Appropriated carry-over funds are known as uncommitted/unreserved fund balance.

Cash Management – a conscious effort to manage cash flows in such a way that interest and penalties paid are minimized and interest earned is maximized. Checks received are deposited the same day, bills are paid no sooner than the due date unless discounts can be obtained by paying earlier, future needs for cash are determined with exactness and cash on hand not needed immediately is invested in short term interest-bearing securities.

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

Cost – the amount of money or value exchanged for property or services.

County Tax – the County's tax assessment is levied annually on the assessment values for each municipality located in the County. Assessment values are established annually by the State of Maine Revenue Service for each municipality. Taxes are payable on September 1 of each year. Interest on unpaid taxes commence sixty days after the due date at a rate established annually by the State of Maine Revenue Service.

Debt – an obligation resulting from the borrowing of money.

Debt Service – the accounting for payments of principal and interest on long-term debt.

Deficit – (1) the excess of the liabilities of a fund over its assets. (2) the excess of expenditures over revenues during an accounting period.

Department – a separate functional and accounting entity within a certain fund type.

Designated Fund Balance – funds approved and set aside for a specific defined purpose, by the City Council, from the City's overall fund balance.

Encumbrance – a reservation of funds for an anticipated expenditure prior to actual payment for an item. Funds usually are reserved or encumbered once a contracted obligation has been signed for an item, but prior to the cash payment actually being dispersed.

Employee Benefits – the employee benefit expenditures included in the budget are the City's share of an employees fringe benefits. These include FICA (Social Security), health insurance, life insurance, retirement, unemployment, disability insurance, worker's compensation, most of which are paid through salary banded premiums.

Expenditure – a decrease in net financial resources. Expenditures include payment in cash for current operating expenses, debt service and capital outlays.

Expenses – charges incurred, whether paid or unpaid, for operations, maintenance, interest and other charges which are presumed to benefit the current fiscal year.

Fiscal Year – in the City of Saco, the twelve months beginning July 1 and ending the following June 30. (The Federal government’s fiscal year begins October 1.)

Fund – a fiscal and accounting entity with a self-balancing set of accounts which is 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 a fund’s assets over its liabilities and reserves. The excess balance is often referred to as “surplus.”

Generally Accepted Accounting Principles – government accounting and financial reporting is guided by what are referred to as “generally accepted accounting principles” (GAAP) applicable to governmental units. These standards were formulated through the voluntary action of several professional groups and are evaluated and updated by the Government Accounting Standards Board (GASB).

General Fund – accounts for the general operations of the City. This fund accounts for all financial transactions and resources not required to be accounted for in an enterprise fund.

Goal – a general statement of purpose. A goal provides a framework within which the program unit operates; it reflects realistic constraints upon the unit providing the service. A goal statement speaks generally toward end results rather than toward specific actions.

Liability – debt or other legal obligations arising out of transactions in the past that must be paid or refunded at some future date, not including encumbrances.

Line item – a specific expenditure category within an agency budget, e.g., rent, travel, telephone, postage, printing, or office supplies. Defined by an account number.

Objective – a statement of purpose defined more specifically than a goal. (A goal may subsume several related objectives.) An objective normally indicates anticipated levels of achievement and is usually time limited and quantifiable. Within the objective, specific statements with regard to targets and/or standards often are included.

Obligations – amounts which the City may be required to meet out of its resources.

Operating Expenditures – a category of recurring expenses, other than salaries and capital equipment costs, which covers expenditures necessary to maintain facilities, collect revenues, provide services and otherwise carry out the City’s goals. Typical line items are supplies, printing, postage, and utilities.

Personnel Services – a category of account codes which identified various classification of wages, and salaries and overtime expenses.

Position - a group of duties and responsibilities, as prescribed by an office or department, to be performed by a person on a full-time, part-time and/or temporary basis. The

following items relate to positions and the funding of the various types of positions. The status of a position is not to be confused with the status of the employee. For the purpose of the City's budget, the following definitions are used solely in describing the status and funding of positions:

-A regular employee is any non-probationary employee of the City who is other than a temporary employee, and may be part time or full time.

-A part time employee is an individual who is assigned regular working hours of less than 37.5 hours per work week.

-A seasonal/temporary employee is an individual who performs a seasonal or temporary job in other than regular status and does not receive fringe benefits.

Public Hearing – a scheduled meeting or time specifically set aside to provide an opportunity for citizens to discuss their feelings about a particular issue. Prior to a public hearing, the scheduled date and time, as well as the subject, must be advertised.

Reserve – an account which records a portion of the fund balance which must be segregated for some future use and which is not available for future appropriation or expenditures.

Revenues – funds which the government receives as income. It includes such items as fees from specific services, property taxes, grants and interest income.

Surplus – See Fund Balance.

Unappropriated Fund Balance – fund balance at the close of a fiscal year that is not included in the annual budget.

Undesignated Fund Balance – funds not earmarked for any specific purpose and used at the discretion of the City Council.

Vision Statement – a general statement of the purposes of the City. The vision statement is all inclusive and expresses organizational values and philosophies.