

# **SECTION IX**

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## **Glossary**

## **GLOSSARY OF BUDGET TERMINOLOGY**

The City's proposed budget contains specialized and technical terminology that is unique to public finance and budgeting. To assist the reader of this document in understanding the terms, a glossary of budgetary terminology has been included.

### **Accrual Accounting**

A basis of accounting in which revenues are recorded when earned and expenses are recorded at the time they are incurred, instead of when cash is actually received or disbursed (See Funds).

### **Adopted Budget**

Revenues and appropriations approved by the City Council in May for the following fiscal year.

### **Ad Valorem Tax**

A tax levied on the assessed valuation of real property (see Revenues). Nevada Revised Statutes (NRS) sets a maximum tax rate of \$3.64 per \$100 of assessed valuation.

### **Appropriation**

An authorization made by the City Council which permits the City to obligate and expend governmental resources. Appropriations are generally made in fixed amounts and by state law are granted for a one-year period.

### **Assessed Valuation (AV)**

A value established for real property for use as a basis for levying property taxes. The assessed value is thirty-five percent (35%) of taxable value. The Washoe County Assessor is responsible for all appraisal activity.

### **Assets**

Resources owned or held by the City which has a monetary value.

### **Balanced Budget**

A budget adopted by the legislative body and authorized by ordinance where the proposed expenditures are equal to or less than the proposed revenues.

### **Budget**

A comprehensive financial plan of operation for a specified period of time that matches all planned revenues and expenditures with various municipal services.

### **Budget Augmentation**

A legal procedure allowed by law for revisions that alter the total appropriations of a fund. An augmentation results in increased expenditures for the fund.

### **Budget Calendar**

The schedule of key dates or milestones which the City follows in the preparation and adoption of the budget.

**Budget Document**

The official written statement prepared by the City staff reflecting the decisions made by the Council in their budget deliberations. The City submits that document to the State Department of Taxation to meet Nevada Revised Statute requirements. A separate document is prepared for distribution to staff, the public and submittal to Government Finance Officers Association (GFOA).

**Budget Message**

A general discussion of the budget 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 the views and recommendations of the City Manager.

**Budget Revision**

A budget revision is a shift in appropriations between two or more line item accounts. A budget revision does not result in increased appropriations.

**CAFR**

Comprehensive Annual Financial Report.

**Capital Equipment**

Equipment with a value in excess of \$10,000 and an expected life of more than one year.

**Capital Improvements**

Major construction, repair of or addition to buildings, parks, streets, bridges and other City facilities.

**Capital Improvement Program (CIP)**

A plan for capital expenditures to provide for the acquisition, expansion or rehabilitation of an element of the City's physical plant to be incurred over a fixed period of several future years.

**Capital Outlay**

Expenditures relating to the purchase of equipment, land and other fixed assets.

**Capital Projects Funds**

These funds account for the financial resources to be used for the acquisition and/or construction of major capital facilities, other than those financed by proprietary funds. Each year, the City appropriates funds for the work to be completed that fiscal year; fund balances are designated for the completion of the projects over a period of years. Examples of projects are fire stations, streets, sewer lines and drains. (see Fund)

**Chart of Accounts**

A complete listing of all individual account titles and account numbers used by a governmental entity in its accounting system.

**City Charter**

The document of a home rule City similar to a constitution, which establishes the City's government structure and provides for the distribution of powers and duties among the various branches of government.

**City Council**

The Mayor and six Council members collectively acting as the legislative and policy making body of the City.

**Debt Refunding**

A common transaction in the government environment where debt is issued, usually at lower interest rates or more favorable terms, and the proceeds are used to “refund” outstanding debt. There are current refundings, where the old debt is repaid immediately, or advance refundings, where the proceeds of a new debt are placed into an escrow account and used to repay the bondholders of the old debt according to the payback terms.

**Debt Service**

The payment of principal and interest on borrowed funds. This also includes the accounting for lease-purchase payments for various equipment used by the City.

**Debt Service Fund**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and other costs. Most general long-term debt is “general obligation” debt, secured by the full faith and credit of the issuing government. It is also used to account for payment of other long-term debts, including notes, lease-purchase agreements, and installment purchase contracts. (See Fund)

**Department**

A major administrative division of the City which indicates overall management responsibility for an operation or a group of related operations within a functional area. A department usually has more than one program and may have more than one fund as a revenue source for the services it provides.

**Depreciation**

(1) Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence. (2) That portion of the cost of a capital asset which is charged as an expense during that particular period.

**Encumbrance**

Obligations in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation. Obligations cease to be encumbrances when they are paid, otherwise terminated, or a debt is incurred.

**Enterprise Fund**

A fund established to account for activities that are financed and operated in a manner similar to private business enterprises, where costs of providing services to the public are recovered through user fees.

Enterprise Funds are used to account for operations that are either financed or operated in a manner similar to private businesses, or when the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for public policy, management control, accountability or other purposes.

Rate schedules for services provided are usually established to insure that revenues are adequate to meet necessary expenditures. (See Fund)

**Expenditure**

Utilization of fund resources. Expenditures include operating costs, debt service and capital outlays.

**Expenditure Category**

A basis for distinguishing types of expenditures. The major expenditure categories used by the City of Reno are: salaries and wages, employee benefits, services and supplies, capital outlay and debt service/other.

**Financial Policies**

Financial policies are used to enable the City to achieve a sound financial position. They are in writing and are updated as needed.

**Fiscal Year (FY)**

The beginning and ending period for recording financial transactions. The City's fiscal year begins July 1 and ends June 30 the following year.

**Fixed Assets**

Assets of a long-term character which are intended to be held or used, such as land, buildings, machinery, furniture and other equipment. All items with a useful life of more than one year and a cost in excess of \$10,000 are classified as fixed assets.

**Fleet**

Includes all City vehicles and off-road equipment.

**Franchise Fees**

A fee paid by public service utilities for use of public property in providing their services to the citizens of the community.

**Full Cost Recovery**

The establishment of user fees which are equal to the direct and indirect cost of providing services.

**Function**

A group of related programs crossing organization (departmental) boundaries and aimed at accomplishing a broad goal or major service. The functions used in Reno's budget are those designated by the State of Nevada and are: General Government, Judicial, Public Safety, Public Works, Health and Sanitation, Culture and Recreation, Community Support and Debt Service.

**Fund**

A fiscal and accounting entity for which the recording of financial transactions is made for the purpose of carrying on specific activities in accordance with the requirements placed upon the use of financial resources.

A fund is a fiscal and accounting entity with a self-balancing set of accounts. Governments use several types of funds, which are listed here in order of use. Financial summaries of these funds are contained elsewhere in this document.

### ***Governmental Funds:***

- 1) General Fund - The General Fund accounts for most of the financial resources of the government, as it is the general operating fund for the City. General Fund revenues include property taxes, sales taxes, licenses and permits, service charges and other types of revenue that are not designated by law for a special purpose. The General Fund accounts for most of the departmental expenditures including some costs of community services, development services, maintenance and engineering, public safety, criminal justice services, support services and debt.
- 2) Special Revenue Funds - Special Revenue Funds are used to account for resources that are subject to certain legal spending restrictions. They are created when a resolution, statute or ordinance requires that specific resources are to be used to finance a particular activity. An example is the Street Fund, which was established in 1979 to comply with Nevada laws requiring that money distributed by the State from the collection of motor vehicle fuel taxes be used only for expenditures on streets, alleyways and public highways of the City.
- 3) Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt-principal, interest and other costs. Most general long-term debt is "general obligation" debt, secured by the full faith and credit of the issuing government. It is also used to account for payment of other long-term debts, including notes, lease-purchase agreements, and installment purchase contracts.
- 4) Capital Projects Funds - These funds account for the financial resources to be used for the acquisition and/or construction of major capital facilities, other than those financed by proprietary funds. Each year the City appropriates money for the work to be completed that fiscal year; fund balances are designated for the completion of the projects over a period of years. Examples of projects are fire stations, streets, sewer lines and drains.

### ***Proprietary Funds:***

- 5) Enterprise Funds - Enterprise Funds are used to account for operations that are either financed or operated in a manner similar to private businesses, or when the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for public policy, management control, accountability or other purposes. Rate schedules for services provided are usually established to insure that revenues are adequate to meet necessary expenditures.
- 6) Internal Service Funds - Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the City, or to other governments, on a reimbursement basis.

### ***Trust and Agency Funds:***

- 7) Trust and Agency Funds - These funds are custodial (used to account for assets held by a government in a trustee capacity), and do not involve

measurement of results of operations. They are generally limited to instances where legally mandated, or where a formal legal trustee relationship exists. Principal and interest in these funds may be expended in the course of their designated operations.

**Fund Balance**

The excess of assets over liabilities. A negative fund balance is called a deficit. A positive ending fund balance from one fiscal year is used as a resource for the following fiscal year's activities. (The ending fund balance for one fiscal year is the same amount as the beginning fund balance for the following fiscal year).

**Funding**

Provides budgetary resources to cover the total cost of a program or project at the time it is undertaken.

**General Fund**

The General Fund accounts for most of the financial resources of the government, as it is the general operating fund for the City. General Fund revenues include property taxes, sales taxes, licenses and permits, service charges and other types of revenue that are not designated by law for a special purpose. The General Fund accounts for most of the departmental expenditures including some costs of community services, development services, maintenance and engineering, public safety, criminal justice services, support services and debt. (See Fund)

**General Obligation Bonds**

Bonds issued with the full faith and credit of the City. Repayment of these bonds has first call on the resources of the City.

**Grant**

A contribution of assets (usually cash) by one governmental entity (or other organization) to another to support a particular function. Grants may be classified as either categorical or block depending upon the amount of discretion allowed the grantee.

**Indirect Costs**

An expense charged by one department/division to another for services performed or for expenditures of a general nature which are charged to one main account and allocated to other departments/divisions by a specified formula.

**Infrastructure**

The physical facilities owned and maintained by the City. They include buildings, streets, traffic signals and equipment, bridges, culverts, sewer and storm drain pipes and equipment and parks.

**Interest Earnings**

Revenue earned on invested and idle funds. The City pools its cash and invests it in accordance with its adopted investment policy. Interest earnings are then allocated to the individual funds based upon their average cash balance.

**Internal Service Funds**

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the City, or to other governments, on a reimbursement basis. (See Fund).

**Maintenance**

All materials or contract expenditures covering repair and upkeep of City buildings, machinery and equipment, computer systems, roadways and land.

**Materials and Supplies**

Expendable materials and operating supplies necessary to conduct departmental activity.

**Modified Accrual Accounting**

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for special assessment revenues. Anticipated refunds of such taxes are recorded as liabilities and reduction in revenue when measurable and their validity seems certain. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, which are recorded as fund liabilities when due.

**Objective**

A statement of specific direction, purpose or intent to be accomplished by staff within a program. Objectives should be measurable.

**Operating Budget**

A financial plan for the provision of direct service and support functions that provide basic governmental services. The operating budget contains appropriations for such expenditures as salaries and benefits, services, supplies, capital outlay and debt service/other.

**Ordinance**

A formal legislative enactment by the governing board of the City. If it is not in conflict with any higher form of law, such as a State statute or constitutional provision, it has the full force and effect of law within the boundaries of the City to which it applies. The difference between an ordinance and a resolution is that the latter requires less legal formality and has a lower legal status.

**Performance Indicators**

Financial ratios and nonfinancial information that identifies efforts, and gauges efficiencies and accomplishments of governments in providing services.

**Performance Measures**

Specific quantitative measures of work performed within an activity or program. Also, a specific quantitative measure of results obtained through a program or activity.

**Program**

An organized set of related work activities which are directed toward accomplishing a common goal. Each City department is responsible for a number of related service programs.

**Property Tax Rate**

The amount of tax levied for each \$100 of assessed valuation. It is also called the ad valorem tax rate.

**Reserve**

A portion of fund balance earmarked to indicate 1) that it is not available for expenditure, or 2) is legally segregated for a specific future use.

**Resolution**

A special or temporary order of a legislative body: an order of a legislative body requiring less legal formality than an ordinance or statute. (See Ordinance).

**Resources**

Assets that can be used to fund expenditures. Examples include property taxes, charges for services, beginning fund balance or working capital.

**Retained Earnings**

An equity account reflecting the accumulated earnings of an enterprise or internal service fund.

**Revenue**

Income received from various sources used to finance government services. For example, sales tax revenue. The State of Nevada classifies revenues into the following categories:

- 1) Taxes. This category is primarily the ad valorem tax, which is restricted by State law.
- 2) Licenses and Permits. A license issued by a local government which allows a business to conduct a business or activity for an extended period of time. A permit generally restricts the activity to a specific date and place. Business licenses and building permits constitute the major portion of this category of revenues, but it also includes liquor licenses, City gaming licenses, animal licenses, and franchise fees. Limitations on these revenues are State imposed.
- 3) Intergovernmental Revenues are those resources that are collected by another government and are disbursed to the City based upon statutory authority and a set formula. They include: grants, cigarette tax, liquor tax, Basic and Supplemental City-County Relief Tax (sales tax), motor vehicle privilege tax, county gaming licenses and real property transfer tax. Most intergovernmental revenues are distributed by a formula based on revenues received in the previous year and growth in assessed valuation and population.
- 4) Charges for Service. The City charges businesses and residents for providing some specific service of direct benefit for that business or person.

5) Fines and Forfeitures. These are fines and warrant revenues resulting from misdemeanor violations, traffic and parking violations, etc. occurring within City limits and imposed by the municipal court. In addition, it includes penalties assessed for delinquent payment of business licenses.

6) Miscellaneous. The largest resource in this category is interest income earned on invested cash during the year. It also includes various forms of reimbursement and restitution.

7) Other Financing Sources. This includes sale of fixed assets, transfers from other funds, and proceeds of long-term debt.

### **Revenue Bonds**

Bonds whose principal and interest are payable exclusively from earnings of a revenue source.

### **Risk Management**

The identification and control of risk and liabilities incurred by a local government to conserve resources used for accidental losses. The City's risk management program is managed by the City Manager's Department with the assistance of the City Attorney.

### **Special Assessment Districts (SADs)**

Areas within the City where improvements have been made for the benefit of and paid for by the property owners within the district over a ten-year period. SADs are budgeted and accounted for in both capital project funds (during the construction phase) and debt service funds (during the debt repayment phase) according to standards set forth by the Governmental Accounting Standards Board.

### **Special Revenue Funds**

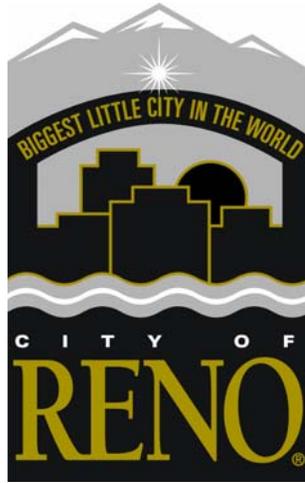
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### **User Fees**

Fees charged to users of a particular service provided by the City.



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