

FY 2013-14 Budget Glossary

Accounting System: The methods and records established to identify, assemble, analyze, classify, record, and report the City's transactions and to maintain accountability for the related assets and liabilities.

Accounts Payable (AP): A short-term (one year or less) liability reflecting amounts owed for goods and Services received by the City.

Accounts Receivable (AR): An asset reflecting amounts due from other persons or organizations for goods and services furnished by the City.

Accrual Accounting: A basis of accounting in which revenues and expenses are recorded at the time they occur, rather than at the time cash is received or paid by the city.

Actual: The actual amount spent on expenditures as it relates to a fund, department and/or expenditure category. These amounts have been adjusted and include audit adjustments.

Ad Valorem Taxes: Commonly referred to as property taxes. The charges levied on all real and certain personal property according to the property's assessed value and the tax rate. Two ad valorem rates create the total collection:

Maintenance and Operations Rate: This rate is one of two component rates that make up the total tax rate. Revenue generated by this rate is used to fund general operations of the City.

Debt Service Rate: This rate is the second of two component rates that make up the total tax rate. This rate is set by law in an amount sufficient to generate enough revenue with which to pay the City's maturing general obligation debt.

Adjustment to Base Request: A request needed to maintain current service levels, such as fuel or electricity, and may include personnel when needed to maintain the service level.

Advanced Refunding Bonds: Bonds issued to refinance an outstanding bond issue before the date the outstanding bonds become due or callable. Proceeds of the advance refunding are deposited in escrow with a fiduciary, invested in U.S. Treasury Bonds or Other authorized securities and used to redeem the underlying bonds at their maturity or call date, to pay interest on the bonds being refunded, or to pay interest on the advance refunding bonds.

Appropriations: An authorization made by the City Council which permits the City to make expenditures and incur obligations.

Approved: The adopted budget for a fund, department and/or expenditure category for the upcoming fiscal year.

Assessed Value: A valuation set upon real estate or other property as a basis for levying property taxes. All property values within the City of Willow Park are assessed by the Parker County Appraisal District.

Asset: The resources and property of the City that can be used or applied to cover liabilities.

Audit: An examination or verification of the financial accounts and records. The City is required to have an annual audit conducted by qualified certified public accountants.

Balanced Budget: A budget with total revenues equaling total expenditures. The City adopts an annual budget that will have a balanced General Fund budget; however, the total budget is either balanced or has revenues over higher than expenditures.

Base Budget: Refers to a departmental operating budget minus personnel and VES contribution.

Basis of Accounting: Refers to when revenues, expenditures, expenses, and transfers (and the related assets and liabilities) are recorded and reported in the financial statements.

Bond: A written promise to pay a specified sum of money (called the principal amount) at a specific date or dates in the future (called the maturity dates) and carrying interest at a specified rate, usually paid periodically. The difference between a bond and a note is that a bond is issued for a longer period and requires greater legal formality. The most common types of bonds are general obligation and revenue bonds. Bonds are usually used for construction of large Capital projects, such as buildings, streets, and water/sewer system improvements.

Bonded Debt: The portion of indebtedness represented by outstanding (unpaid) bonds.

Bonds Issued: Bonds sold by the City.

Bonds Payable: The face value of bonds issued and unpaid.

Budget: A financial plan for a specified period of time (fiscal year for the City) that includes an estimate of proposed expenditures and the means for financing them.

Budget Message: A general discussion of the proposed budget as presented in writing by the City Manager to the City Council.

Capital Budget: A plan of proposed capital outlays and the means of financing them for the current fiscal period.

Capital Improvements: Expenditures for the construction, purchase, or renovation of City facilities or property.

Capital Outlay: Expenditures resulting in the acquisition of or addition to the City's fixed assets. Generally, any item with a purchase price of \$5,000 or more and having an estimated useful life of at least two years is classified as a capital outlay expenditure.

Cash Basis: A basis of accounting in which transaction recorded when cash is received or disbursed.

Category Descriptions: The name given to a group of similar line items. E.I. Line items related to the operating a facility such as gas and electricity grouped under the category description of Occupancy.

Certificate of Obligation Bonds: Bonds backed which do not require voter approval and can either be backed by the full faith and credit of the City or by a specific or special revenue stream.

Charges for Service: The revenue typically charged for a service is specific to an individual user, rather than a communal good, therefore the charge is used to offset the cost for the individual need. Ex. Park fees and utility charges.

Debt Service Fund: A fund established to account for funds needed to make principal and interest payments on outstanding bonds when due. Also referred to as an Interest and Sinking Fund.

Debt Service Requirements: The amount of money required to pay interest and principal for a specified period on outstanding debt.

Delinquent Taxes: Property taxes remaining unpaid after the due date. Delinquent taxes incur penalties and interest at rates specified by law.

Department: A functional group of the City with related activities aimed at accomplishing a major City service or program (e.g. the Fire Department).

Depreciation: The prorating of the cost of a fixed asset over the estimated service life of the asset. Each period is charged with a portion of such cost, and through this process, the entire cost of the asset is ultimately charged off as an expense. In governmental accounting, depreciation may be recorded in proprietary funds. Assets in general governmental funds are expensed entirely when purchased.

Division: A sub-group of a Department that represents a major service provided by the Department (e.g. the Fire Suppression Division).

Effective Tax Rate: The rate necessary to raise the same total amount of taxes from the same properties that were on the roll last year.

Efficiency & Effectiveness Measure: A performance indicator is an assessment of how well or the degree of quality a department provides services.

Encumbrance: The commitment of appropriated funds to purchase an item or service. An encumbrance differs from an account payable in that a commitment is referred to as an encumbrance before goods or services are received.

Enhancement Request: A request considered a “nice-to-do” and would enhance or add to the current service levels.

Enterprise Fund: See Proprietary Fund.

Equity: The difference between assets and liabilities of the fund.

Estimated: An estimate of an unknown number, such as future revenue, based upon history, trend, or other logical methods.

Expense/Expenditure: Charges incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges which are presumed to benefit the current fiscal period.

Extra Territorial Jurisdiction (ETJ): The unincorporated area that is contiguous to the corporate boundaries of a City. The ETJ area for the City of Willow Park extends one mile from the City's boundaries. Cities have certain powers in their ETJ's to promote and protect the general health, safety, and welfare of persons residing in and adjacent to the City.

Fiduciary Fund: A fund created for situations in which the government is acting in a trustee capacity or as an agent for other entities.

Fire Protection Fees: Revenues from this fee cover the cost of the City providing fire protection service to areas in the ETJ. This fee is assessed in lieu of the ETJ districts charging an ad valorem tax.

Fiscal Year (Period): The time period designated by the City signifying the beginning and ending period for recording financial transactions of the City. The City of Willow Park's fiscal year begins each October 1st and ends the following September 30th.

Fixed Assets: Assets of a long-term character which are intended to be held or used, such as land, buildings, machinery, furniture, and equipment.

Franchise: A special privilege granted by a government permitting the continuing use of public property, such as city streets, and usually involving the elements of monopoly and regulation.

Franchise Fees: These fees are derived from major public utilities operating within the City and are intended to reimburse the City for use of public streets and rights of way, which is generally computed as a percent of gross receipts and the percentages vary among the utility classes.

Full Faith and Credit: A pledge to the City's taxing power to repay debt obligations. Bonds carrying such pledges are referred to as general obligation bonds or tax supported debt.

Full-Time Equivalent (FTE): A calculation of a position in which a position is calculated by the proportion of hours worked compared to a full-time employee. Ex. A season employee is a .25 FTE because a budgeted to work a ¼ the number of hours of a full-time employee.

Fund: Separate fiscal and accounting entities with their own resources and budgets necessary to carry on specific activities and attain certain objectives.

Fund Balance: The excess of a fund's assets over its liabilities and reserves.

Garbage Collection Fees: A fee is assessed for the collection of garbage which is provided by the City through the use of an outside vendor.

General Fund: The largest fund within the City. Accounts for all financial resources except those required to be accounted for in another fund. The General Fund Contains the activities commonly associated with municipal government, such as police and fire protection, libraries, and parks and recreation.

General Obligation Bonds: Voter-approved Bonds backed by the full faith and credit of the City and funded thru Ad Valorem Taxes.

Governmental Fund: Includes activities usually associated with a typical local government's operations, such as Police protection. Governmental Funds also include "Special Revenue" Funds that account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Impact Fees: These fees are charged for facility expansion of the city's water and wastewater systems. The Texas Local Government Code, Chapter 395, enacted by the State Legislature in 1987 (Senate Bill 336) and amended in 1989, empowers cities to impose and collect "impact fees" upon new development.

Interest: Idle funds are prudently invested in various instruments allowed under the adopted City Investment Strategy and Policy.

Interfund Transfers: All interfund transactions except loans and reimbursements.

Intergovernmental Revenues: Revenues from other governments in the form of grants, entitlements, or payments in lieu of taxes.

Machinery & Equipment: Property that does not lose its identity when removed from its location and is not changed materially or consumed immediately by use.

Maintenance: The act of keeping assets in a state of good repair. It includes preventive maintenance, normal periodic repairs, part replacement, and so forth, needed to maintain the asset so that it continues to provide normal service.

Mission Statement: tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance.

Modified Accrual Basis: This method of governmental accounting recognizes revenues when they are measurable and available and expenditures when goods or services are received (except for principal and interest on long-term debt, which is recognized when paid).

Operating Budget: Plans of current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most of the financing activities of the City are controlled.

Operating Expenses: Proprietary fund expenses related directly to the fund's primary activities.

Operating Income: The excess of proprietary fund operating revenues over operating expenses.

Operating Revenues: Proprietary fund revenues directly related to the fund's primary activities. They consist primarily of user charges for goods and services.

Ordinance: A formal legislative enactment by the City Council.

Paying Agent: An entity responsible for paying the bond principal and interest on behalf of the City.

Performance Improvement: A departmental goal for the fiscal year which should improve performance, efficiency, customer service, etc. and should be completed with-in the fiscal year.

Performance Indicator: A departmental measure of performance.

Principal: The face value of a bond, payable on stated dates of maturity.

Proprietary Fund: Also referred to as an Enterprise Fund. A governmental accounting fund in which the services provided, such as water and sewer service, are financed and operated similarly to those in a private business. The intent is that the costs of providing these services be recovered through user charges.

Purchase Order (PO): A requisition document for a good or service that has been approved by Finance and includes the amount to be expended for the requisition assuming a satisfactory delivery of the good or completion of the service.

Reimbursements: Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it, but that apply to another fund.

Resolution: A special or temporary order of the City Council. Requires less formality than an ordinance.

Retained Earnings: An equity account reflecting the accumulated earnings of a proprietary fund.

Revenue Bonds: Bonds whose principal and interest are payable exclusively from earnings of a proprietary fund.

Rollback Tax Rate: The rollback rate is the sum of the Effective M&O (or the rate to raise the same M&O amount on the same properties from the previous year) rate plus 8% and the debt rate (or the rate required to fund the anticipated ad valorem debt obligations). If the rate is exceeded, the citizens can call an election by using a petition that will “roll back the rate” to the rollback rate.

Sales Tax: A tax levied upon the sale of certain goods and services as allowed by Texas State law. The State of Texas levies a 6.25% sales tax. The City of Willow Park levies a 2% sales tax, which is allocated as 1% to the General Fund, 0.5% to City Property Tax Relief and 0.5% to County Property Tax Relief. The Total rate for the City is 8.25%.

Special Revenue Fund: Accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Taxes: Compulsory charges levied by a government to finance services performed for the common benefit.

Tax Levy Ordinance: An ordinance through which taxes are levied.

Tax Roll: The official list showing the amount of taxes levied against each taxpayer or property.

Transfer: A transfer moves funds from other funds to another in order to either cover expenses, such as transfers to debt funds or to properly state a fund's cost of business such as the Utility Fund transfer to the General Fund which funds administrative costs.

Unencumbered Balance: The amount of an appropriation that is not expended or encumbered. It is essentially the amount of money still available for future purchases.

User Charges: The payment of a fee for direct receipt of a public service by a party benefiting from the service (e.g. water and sewer fees).

Vision Statement: A vivid idealized description of a desired outcome that inspires energizes and helps you create a mental picture of your target. It could be a vision of a part of your life, or the outcome of a project or goal.

Working Capital: For enterprise funds, the excess of current assets over current liabilities.

Workload Measure: Performance Indicator that shows the amount of work completed or the amount of service is provided during a fiscal year.