

BUDGET

STUDY SESSION

Date: June 8, 1987

BUDGET PROCESS, DESCRIPTIONS

- 1. *Departmental Budget Hearings***
 - A. Increases in services to public
 - B. Discuss Goals and Objectives.
 - C. Changes in departmental responsibility.
 - D. Program and staffing changes.

- 2. *Council Overview***
 - A. Review of City's Priorities by City Council
 - B. Policy additions or changes.
 - C. Review service delivery to constituents.
 - D. Balances expenditures against revenues.
 - E. Evaluate labor contracts, personnel benefits.

- 3. *Staff Adjusts Budget***
 - A. Labor increases
 - B. Shifts in City Council priorities
 - C. Revenue projections.

- IV. *Council approves the Budget.***
 - A. Sets priorities.
 - B. Sets service delivery levels
 - C. Sets goals and objectives.

POLICY QUESTIONS

- Human Services Fund

- A. Provide space only? Personnel?
- B. Provide subsidy. How much? How long?
- C. Contract to be negotiated.

Re: Child Care, Senior, Youth Development Center

\$50K 150K 100 K

- High School Site Purchase

- A. Modify existing lease
- B. Borrow to totally prepare?
- C. Will HCD allow CDBG loan from General Fund?

GLOSSARY
OF
FINANCIAL TERMS

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ACCOUNTING SYSTEM. The total structure of records and procedures which discover, record, classify, and report information on the financial position and operations of a governmental unit or any of its funds, balanced account groups, and organizational components.

ACCOUNTS PAYABLE. Liabilities on open account owing to private persons, firms, or corporations for goods and services received by a governmental unit or to other governmental units.

ACCOUNTS RECEIVABLE. Amounts owing on open accounts from private persons, firms, corporations, or from outside governmental units for goods and services furnished by a governmental unit (but not including amounts due from other funds of the same governmental unit).

ACCRUAL BASIS. The basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefits received, notwithstanding that the receipt of the revenue or the payment of the expenditure may take place, in whole or in part, in another accounting period.

ACCRUED EXPENSES. Expenses incurred during the current accounting period, but which are not paid until a subsequent accounting period.

ACCRUED REVENUE. Revenue earned during the current accounting period, but which is not collected until a subsequent accounting period.

ACTUAL. As used in this manual, it denotes real transactions or totals. No estimated or targeted figures are involved.

APPROPRIATION. An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes.

BUDGET. A plan of financial operation for authorized expenditures for a given period and the proposed means of financing them. Used without any modifier, the term indicates a financial plan for a single fiscal year.

BUDGETARY ACCOUNTING. The element of the standard governmental accounting system which is directed toward satisfying legal requirements for budgetary control and reflecting budgetary operations and conditions. Funds, budget units, and budgetary accounts, such as estimated revenues, appropriations, and encumbrances are components of this element of the accounting system.

BUDGETARY CONTROL. The control or management of a governmental unit or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

BUDGET DOCUMENT. The comprehensive financial program, approved by the appropriating body for the fiscal year, which authorizes certain expenditures to be made

CLAIM. (1) A demand against a governmental unit for an amount due for services and/or supplies provided by a vendor, supplier, or individual. (2) A form used for filing such a demand against a governmental unit.

CODING. A system of numbering or otherwise designating accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used reveals quickly certain required information.

CONTINGENT LIABILITIES. Items which may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending law suits, judgements under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts. All contingent liabilities should be shown on the face of the balance sheet or in a footnote thereto.

DEFICIT. (1) The excess of the liabilities and reserves of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period; or, in the case of enterprise and intergovernmental Service Funds, the excess of expense over income during an accounting period.

DEPARTMENT. Highest level of organization within a governmental unit. Responsible for developing work plans, overseeing and directing operations or component units. In some instances fund, budget unit, and/or department may be the same. Departments, whether funds or budget units, may have lower level organization units, such as divisions, sections, and units.

DESIGNATED FUND. Funds which have special requirements and are restricted as to types of expenditures.

DIRECT EXPENSES. Those expenses which can be charged directly as a part of the cost of product or service, or of a department or operating unit, as distinguished from overhead and other indirect costs which must be prorated among several products or services, departments or operating units.

DISBURSEMENTS. Payment by warrant or in currency. This term is not synonymous with expenditure.

EDIT. To verify the completeness and correctness of documents which are input to the data processing and accounting systems, either manually or by machine processes.

ENCUMBRANCE LIQUIDATION. The reversal of an encumbrance when payment is made or when the actual liability is recorded or the obligation is cancelled.

ENCUMBRANCES. Obligations in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid, cancelled, or when the actual liability is recorded.

ENTERPRISE FUND. A fund established to finance and account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by charges for public use.

ESTIMATED REVENUE. For revenue accounts kept on an accrual basis, this term designates the amount of revenue estimated to accrue during a given period regardless of whether or not it is all to be collected during the period. For revenue accounts kept on a cash basis, the term designates the amount of revenue estimated to be collected during a given period.

EXPENDITURE. Where the accounts are kept on the accrual basis or the modified accrual basis, this term designates the cost of goods delivered or services rendered, whether paid or unpaid, including expenses, provision of debt retirement, not reported as a liability of the fund from which retired, and capital outlays. Where the accounts are kept on the cash basis, the term designates only actual cash disbursements for these purposes. Encumbrances are not expenditures.

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

FISCAL YEAR. The period from July 1 to June 30 to which the annual budget applies and at the end of which a government unit determines its financial position and results of its operations

FUND. An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are 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 the assets of a fund over its liabilities and reserves except in the case of funds subject to budgetary accounting where, prior to the end of a fiscal period, it represents the excess of the fund's assets and estimated revenue for the period over its liabilities, reserves, and appropriations for the period.

GENERAL FUND. Funds that can be used for any legitimate municipal expenditures at the discretion of the Council.

GENERAL LEDGER. a file, listing, or other device which contains the accounts needed to reflect, in summary and in detail, all the recognized transactions of a fund.

GRANT. A contribution by one governmental unit to another unit. The contribution is usually made to aid in the support of a specific function but it is sometimes also for general purposes.

HISTORICAL. As used in financial reports, this term denotes past operating results are being used to make comparisons to actual results on a year to date basis.

INTERNAL CONTROL. Accounting and administrative controls within a business or governmental entity which include (a) a plan of organization which provides appropriate segregation of functional responsibilities, (b) a system of authorization and record procedures adequate to provide reasonable accounting control over assets, liabilities, revenues, and expenses, (c) sound practices to be followed in performance of duties and functions of each of the organizational departments, and (d) personnel of a quality commensurate with responsibilities.

LIABILITIES. Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date. It should be noted this term does not include encumbrances.

LONG-TERM DEBT. Debt with a maturity of more than one year after the date of issuance.

OBLIGATIONS. Amounts which a governmental unit may be required legally to meet out of its resources. They include not only actual liabilities, but also unliquidated encumbrances.

OVERHEAD. Those types of costs normally incurred by the City, department, or division level of the organization which are necessary in the overall operation of the organizational unit. Usually they relate to specific objects of expenditures or activities which do not become a direct cost of the services provided or goods produced, but should nonetheless be taken into account when considering the total cost of organization units.