Accrual Basis of Accounting: basis of accounting that records the financial effects of transactions and other events that have cash consequences in the periods in which those transactions or events occur rather than only in the periods in which cash is received or paid by the enterprise.

Adopted Budget: a budget that has been approved by the City Council.

Allocation: the distribution of available monies, personnel and equipment among various City functions.

Amortization: the reduction of an account through regular payments over a specific period of time.

Annual Budget: an estimate of expenditures for specific purposes during the fiscal year and the proposed means (estimated revenues) for financing those activities.

Appropriation: an authorization made by the legislative body of a government that permits officials to incur obligations and to make expenditures of governmental resources.

Assessed Value: a valuation set upon real or personal property by the City Assessor as a basis for levying taxes.

Audit: a study of the City’s accounting system to ensure financial records are accurate and in compliance with all legal requirements for handling of public funds, including state law and the City Charter.

Bond: a written promise to pay a specified sum of money (principal or face value) at a specified future date (maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are used typically for long-term debt and sold to investors.

Budget (Operating): a plan of financial operation embodying an estimate of proposed expenditures for a given period of time and the proposed means of financing them.

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

Budget Message: a general discussion of the submitted budget and financial conditions of the City presented in writing by the City Administrator as part of the budget document.

Capital Budget: a plan of proposed capital expenditures and the means of financing them. The capital budget is enacted as part of the annual budget, which includes both capital operating and capital outlays. The capital budget is based on the Capital Improvement Program (CIP).

Capital Improvement Program (CIP): a plan for capital expenditures to be incurred each year over a fixed period of years setting forth each capital project, the duration of the project and the amount to be expended each year in financing
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those projects.

Capital Outlay: the purchase of items that cost over $5,000 and have a useful life of more than two years.

Cash Basis of Accounting: records all revenues and expenditures when cash is either received or disbursed.

Cost Center: an organizational and/or budgetary unit within a service area/unit.

Debt Service: the actual cost of interest and principal on bond maturities as well as the interest costs of bond anticipation notes.

Deficit: (1) the excess of an entity's liabilities over its assets; (2) the excess of expenditures over revenues during a single accounting period.

Direct Expenses: expenses specifically incurred as the result of providing a product of service (e.g., labor and material used).

Disbursements: funds actually expended.

Encumbrance: an obligation in the form of a purchase order, contract or salary commitment that is chargeable to an appropriation, and for which part of an appropriation is reserved. These obligations become disbursements upon payment.

Enterprise Funds: a fund established to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the full costs of providing the goods or services be financed primarily through charges and fees thus removing the expenses from the tax rate.

Expenditures: the amount of money, cash or checks actually paid or obligated for payment from the treasury.

Fiscal Year: a twelve-month period for which an organization plans the use of its funds. In Ann Arbor, the fiscal year is July 1 to June 30.

Fixed Charges: expenses that are generally recurring and constant.

Full Time Equivalent (FTE): the amount of funding budgeted for a particular position; expressed in fractions of one year.

Fund: a set of interrelated accounts, which record assets and liabilities related to a specific purpose. Also, a sum of money available for specified purposes.

Fund Balance: the excess of an entity's assets over its liabilities.

General Fund: the major municipally owned fund which is created with city receipts and which is charged with expenditures from such revenues.

General Obligation Debt: the city issues two types of General Obligation Debt. The first is Unlimited GO Debt, which
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allows the City to raise taxes without limit to pay for the debt service and the second is Limited GO Debt, which relies on the existing revenue stream but becomes a first obligation against the General Operating Tax Levy.

Goals and Objectives: represent specific initiatives that a service unit will accomplish during the fiscal year. These may represent improvements to the operations or other objectives that are not normally done on an annual basis.

Grant: a contribution of assets by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the state and federal governments. Grant monies are usually dedicated for specific purposes.

Interfund Transfers: payments from one administrative budget fund to another, which result in the recording of a receipt and an expenditure.

Liability: debt or other legal obligation arising out of transactions in the past which must be liquidated, renewed or refunded at some future date.

Materials & Supplies: includes chemicals, office supplies, postage, repair parts, and inventory purchases.

Modified Accrual: basis of accounting for all governmental funds and expendable trust and agency funds under which revenues are recorded when they become measurable and available. Expenditures are recorded when the liability is incurred, except for interest on general long-term obligations which is recorded when due.

Municipal Service Charge: an administrative fee charged to funds outside the General Fund for general overhead costs including costs associated with City Administrator, City Attorney, City Clerk, Finance, Administrative Services, Information Technology Services, etc.

Non-Personnel Expenses: an expenditure group that includes services, materials and supplies, charges, equipment and other miscellaneous expenses.

Object Code: a unique identification number and title for a class of expenditures; the most detailed level of budgeting and recording expenditures; also known as the "line item."

Operating Budget: authorized expenditures for on-going municipal services (e.g., police and fire protection, street maintenance, etc.)

Ordinance: a law set forth by a governmental authority; a municipal regulation.

Other Charges: includes debt service, operating transfers between funds, insurance, and transfers to other entities.
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**Other Services:** includes consulting, utilities, maintenance, rents, travel, etc.

**Pass-Throughs:** money that passes through the fund as a transfer to another fund or is collected and passed on to another entity such as Ann Arbor Transit Authority (AATA).

**Payroll Fringes:** the cost of employee benefits including insurances, retirement, uniforms, etc.

**Per Capita Cost:** cost expressed as an amount per city resident.

**Performance Measures:** these measures include statistics that indicate the performance of the division focusing on effectiveness and efficiencies related to customer service. These measures can be used to benchmark service with other communities.

**Personnel Services:** expenditures that represent the cost of salaries and wages.

**Policy:** a definite course of action adopted after a review of information and directed at the realization of goals.

**Position:** a position is present if an employee is permanent and the City Administrator or City Council has authorized their duties.

**Priority:** a value that ranks goals and objectives in order of importance relative to one another.

**Procedure:** a method used in carrying out a policy or plan of action.

**Program:** collections of work-related activities initiated to accomplish a desired end.

**Property, Plant and Equipment:** non-consumable materials and supplies with a value of less than $5,000.

**Purchase Order:** an authorization and incurrence of debt for the delivery of specific goods or services.

**Recommended Budget:** the proposed budget that has been prepared by the City Administrator and forwarded to the City Council for approval.

**Reimbursements:** fees received as payment for the provision of specific municipal services.

**Reserves:** an account used to indicate that portion of fund equity, which is legally restricted for a specific purpose or not available for appropriation and subsequent spending.

**Revenue:** additions to the City's financial assets (such as taxes and grants) which do not in themselves increase the City's liabilities or cancel out a previous expenditure.

**Revenue Sharing:** State distribution of monies raised through State Sales, Income and Single Business Taxes to local governments.
Service Area: an organizational and/or budgetary unit established by City Council to carry out specified public services and implement policy directives.

Service Unit: an organizational and/or budgetary unit within a Service Area.

Target Based Budgeting: a system by which the City Administrator sets expenditure targets for General Fund service areas based on estimated availability of revenue.

Tax Increment Financing (TIF): a method of financing public improvements to a geographical area by capturing the taxes that are a result of private improvements and new construction in the area.

VEBA: Voluntary Employees Beneficiary Association- a trust used to fund the post retirement health and life insurance benefits.

Vehicle Operating Costs: a group of accounts that are used to accumulate the cost of maintaining the City’s fleet of vehicles and related equipment.