

GLOSSARY

Accounting system - The total structure of records and procedures that record, classify, and report information on the financial position and operations of a government unit or any of its funds, account groups, and organizational components.

Accounts payable - Amounts owing to private persons, firms, or corporations for goods and services received.

Accounts receivable - Amounts owing from private persons, firms, or corporations for goods and services furnished.

Administrative controls - Controls intended to prevent the waste or misuse of public funds at the operating level. The most common types of administrative controls are an encumbrance system and competitive bids.

Agency fund - A fiduciary type fund (see **Fund types**) which is used to account for transactions where the city is acting as an agent for other governmental units, private organizations or individuals. Because this fund type is custodial in nature, the measurement of results of operations is not appropriate.

Allocation - The practice of spreading costs between various cost centers on some predetermined reasonable basis (e.g. percentages) as opposed to distribution of expenses on a unit charge or direct identification basis.

Appropriation - An authorization granted by a legislative body to make expenditures and to incur legal obligations for specific purposes. An appropriation is limited in amount and limited as to the time period in which it may be expended.

Assessed valuation - A dollar value placed upon real estate or other property, by Los Angeles County, as a basis for levying property taxes.

Audit - An investigation of the accuracy and correct operation of an agency's accounting system, including validation of inventories and existing equipment, documentation of proper legal authority to carry out agency activities, adequacy of controls on fraud, waste, and mismanagement, and the effectiveness of the agency's programs.

Audit trail - The supporting transactions and other evidence used to verify account balances.

Balance sheet - A statement which discloses the assets, liabilities, and equity of a financial entity at a specified date, properly classified to exhibit the financial condition of the financial entity at that date.

Beginning fund balance - Monies available in a fund, from the end of the prior year, for use in the current year.

Bond - A means by which a City may raise capital by issuing a written promise to pay a specified sum of money called the face value, or principal amount, at a specified date or dates in the future, together with periodic interest, at a specified rate.

Budget - A plan for the allocation of resources necessary to provide City services in accordance with established goals and objectives.

Budget message - A narrative overview of the financial plan and program objectives contained in the operating budget. The budget message also presents highlights of new programs or services, information about the state of the local economy, and future goals and plans of the City.

Budgetary controls - The control or management of a government or enterprise with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

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Capital improvement plan (CIP) - A financial plan of proposed capital improvement projects and the means of financing them, usually prepared for a five-year period.

Capital outlay - An operating budget category which accounts for all furniture, equipment, and vehicles with a unit cost of more than \$1,000 and an estimated useful life of more than one year.

Capital projects fund - A governmental fund type (see **Fund types**) created to account for all resources used by a governmental unit to acquire designated fixed assets, except those financed by enterprise funds.

Certificates of participation (COP's) - This financing technique provides long-term financing through a lease, installment sale agreement, or loan agreement. COP's allow the public to purchase, in \$5,000 increments, participation in a stream of lease payments, installment payments, or loan payments, relating to the acquisition or construction of specific equipment, land, or facilities.

Debt service fund - A governmental type fund (see **Fund types**) that accounts for monies reserved for the repayment of City issued debt.

Deficit - The excess of the liabilities of a fund over its assets or the excess of expenditures over revenues during an accounting period.

Department - An organizational unit comprised of one or more divisions. Also known as Work Group.

Division - An organizational unit, within a department, that handles a specific area of responsibility assigned to that department.

Encumbrance - A financial commitment in the form of a purchase order or contract for which part of an appropriation is reserved. It ceases to be an encumbrance when paid or when the liability is incurred.

Enterprise fund - A proprietary type fund (see **Fund types**) established to account for the total costs of those governmental facilities and services that are operated in a manner similar to private enterprise. These programs are entirely, or predominately, self-supporting.

Expenditures - When 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. When the accounts are kept on the cash basis, the term designates only actual cash disbursements for these purposes.

Fiscal year - A period of twelve months designated as the year used for accounting purposes. The City of Carson's fiscal year is July 1 through June 30.

Fixed assets - Assets with a life longer than 1 year and a unit value over \$1,000 which are intended to be held or used, such as land, buildings, vehicles, equipment, or furniture.

Fixed costs - Those costs in any project or program that remain constant regardless of the increase or decrease in units produced.

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

Fund - An independent, self-balancing accounting entity used to record all financial transactions related to the specific purpose for which the fund was created.

Fund types - There are three major fund types used in governmental accounting. Each type of fund is defined below:

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- *Governmental type funds* - These funds (General, Special Revenue, Capital Projects, and Debt Service) are those funds through which most governmental functions are typically financed. The governmental fund measurement focus is on a "financial flow" basis, accounting for sources and uses of available expendable financial resources, not on net income determinations.
- *Proprietary type funds* - These funds (Enterprise and Internal Service) are used to account for the City's ongoing activities which are similar to those found in the private sector. As in private industry, the emphasis is on net income determination.
- *Fiduciary type funds* - These funds (Expendable Trust, Non-expendable Trust, and Agency) are used to account for assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals.

Fund accounting - The legal requirement for agencies to establish separate accounts for separate programs; that is, to segregate revenues and other resources, together with all related liabilities, obligations, and reserves, for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The aim is to control the handling of money to ensure that it will be spent only for the purpose intended. Fund accounting, in a broad sense, is required by the government to demonstrate agency compliance with requirements of existing legislation for which funds have been appropriated or otherwise authorized.

Fund balance - The amount of financial resources immediately available for use. This generally represents the excess of total assets over total liabilities.

Gann appropriations limit - Article XIII B of the California Constitution was amended by Proposition 4, "The Gann Initiative," in 1979. This article limits the growth of governmental spending by multiplying the limit for the prior year tax proceeds by a growth factor. The 1979 base year limit amount consists of all tax proceeds appropriated in that year. Each subsequent year, the Director of Finance computes the revised appropriations limit annually, based on changes in the City or County population and changes in the California per capita (PCI) or nonresidential new construction.

General fund - A governmental type fund (see **Fund types**) and the primary fund of the City that is used to account for those revenues and expenditures that are not legally restricted. The general fund accounts for the ordinary operations of the City that are financed from taxes and other general revenues.

General ledger - The accounting record of all accounts in the chart of accounts, showing the beginning balance, all transactions, and the current balance.

Grants - Contributions or gifts of cash or other assets from another governmental entity to be used or expended for a specified purpose, activity, or facility. The City receives funds from the State and Federal government to operate specific types of programs.

Infrastructure - Facilities on which the continuance and growth of a community depend, such as roads, water lines, sewers, public buildings, parks, etc.

Interfund transfers - Amounts permanently transferred from one fund to another to reimburse the fund for expenditures or to finance the operation of that fund.

Internal control - The plan of organization and all of the coordinating methods and measures adopted within an agency to safeguard the agency's assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

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Internal service fund - A proprietary type fund (see **Fund types**) that accounts for income received and expenses incurred for services or commodities provided by that fund to user departments.

Line-item budget - A budget format that delineates the amount planned to be spent for each separate category of goods or service within each program, division, and department.

Municipal code - The document that contains all City Council approved ordinances currently in effect. The Code defines city policies related to city administration, building codes, planning and zoning regulations, sanitation and health standards, and public safety.

Object account - An account used to classify expenditures, i.e. full-time salaries, utilities, professional services, office supplies, etc.

Object category - A broad category used to identify expenditures by the nature of the goods or services purchased. There are four major object categories: salaries and benefits, operations and maintenance, capital outlays, and operating transfers out.

Objectives - Departmental statements describing significant activities to be accomplished during the fiscal year.

Operating budget - A financial and organizational plan for furthering the goals of the City Council through the City departments.

Operations and maintenance - An operating budget category that accounts for the costs necessary to run the day-to-day operations of the government, i.e. office supplies, utilities, professional services, equipment maintenance, etc.

Ordinance - A formal legislative enactment by the City Council. An ordinance has the full force and effect of law within City boundaries, unless it is in conflict with a higher form of law, such as a State Statute or Constitutional provision. An ordinance has a higher legal standing than a resolution.

Program - A clearly identified service or activity of the government, which lends itself to analysis and management, control.

Program budget - A budget format in which expenditures are based primarily on the service or activity and secondarily on the object account.

Proposition 111 limit - On June 5, 1990, California voters approved Proposition 111 to amend Article XIII B of the California Constitution relating to the Gann appropriations limit.

Reimbursements - Payments remitted by another agency, department, or fund to help to defray the costs of a particular service or activity for which the reimbursing party obtained some benefit. These amounts are recorded as expenditures, or expenses, in the reimbursing fund and as a reduction of expenditures, or expenses, in the fund that is reimbursed.

Reserve - An account which records the portion of the fund balance which must be segregated for some future use and which is, therefore, not available for further appropriation or expenditure.

Resolution - A special order of the City Council which requires less legal formality than an ordinance in terms of public notice and the number of public readings prior to approval. A resolution has lower legal standing than an ordinance and is usually approved by a simple majority of council members present. The adoption of the operating budget, however, or any other resolutions concerning spending requires approval by three of the council members present at time of adoption.

GLOSSARY (CONT.)

Revenues - Items or sources of income, such as income from taxes, licenses, permits, etc.

Revenue forecasting - Any of several systematic approaches used by governments to estimate the levels of revenue that can be expected in future years.

Salaries and benefits - An operating budget category that generally accounts for full-time and part-time salaries, overtime costs, and fringe benefits.

Special revenue fund - A governmental type (see **Fund types**) fund that separately accounts for monies that are restricted as to use by the City Council, the state, or the federal government.

Subventions - Revenue collected by the state (or other level of government) which is allocated to the City on a formula basis. The major subventions from the State of California include motor vehicle license fees and gasoline taxes.

Taxes - Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits, such as special assessments. Neither does this term include charges for services rendered only to those paying such charges.

Trust fund - A fiduciary type (see **Fund types**) fund that holds monies in a trustee capacity. Typically, these monies would either be held in a trust account (wherein the principal and the interest can't be expended by the City in accordance with trust agreements.), or non-expendable trusts (wherein the principal must remain intact but any income derived from the trust can be expended in accordance with trust agreement).

User charges - Charges to an individual or entity for public services that are directly received by and benefit that individual or entity.