

CITY OF
MARICOPA
PROUD HISTORY • PROSPEROUS FUTURE



The Annual Budget is structured to be understandable and meaningful to the general public and organizational users. This glossary is provided to assist those who are unfamiliar with budgeting terms or terms specific to City of Maricopa's budgeting process.

Account - An organizational budget/operating unit within each City department or division.

Accrual Basis - A basis of accounting in which transactions are recognized at the time they are incurred, as opposed to when cash is received or spent.

Actual vs. Budgeted - Difference between what was projected (budgeted) in revenues or expenditures at the beginning of the fiscal year and the actual receipts or expenses which are incurred by the end of the year.

Adopted - Formal action by the City Council which permits the City to incur obligations and to make expenditures of resources.

Adopted Budget - Used in fund summaries and department and division summaries within the budget document. Represents the 2009 budget as approved by formal action of the City Council, which sets the spending limits for the fiscal year.

Allocation - A part of a lump sum appropriation which is designated for expenditure by specific organization units and/or for special purposes, activities, or subjects.

Appropriation - An authorization made by the City Council which permits the City to incur obligations to make expenditures for specific purposes.

Assessed Valuation - A value that is established for real and personal property for use as a basis for levying property taxes. Property values are established by the County Assessor and the State as a basis for levying taxes.

Asset - Resources owned or held by a government which have monetary value.

Basis of Accounting - Defined by the Government Accounting Standards Board by Fund type as the method of accounting for various activities. It is determined when a transaction or event is recognized in the fund's operating statement.

Beginning Balance - The beginning balance is the residual non-restricted funds brought forward from the previous fiscal year (ending balance).

Bond - A long term "IOU" or promise to pay. It is a promise to repay a specified amount of money (the face value of the bond) on a particular date (maturity date). Bonds are used primarily for financing capital projects.

Budget - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. This official public document reflects decisions, assesses service needs, establishes allocation of resources, and is the monetary plan for achieving City goals and objectives.

Budget Calendar - The schedule of key dates or milestones which the City follows in preparation, adoption, and administration of the budget.

Budget Document - The instrument used by the budget-making authority to present a comprehensive financial program to the City Council.

Budget Message - The opening section of the budget document which provides the City Council and the public with a general summary of the most important aspects of the budget, changes from the previous fiscal year, and recommendations regarding the financial policy for the upcoming period.

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 authorized appropriations and available revenues.

Capital Budget - The first year of the five-year Capital Improvement Plan becomes the fiscal commitment to develop projects for the current year. These numbers reflect all appropriations for items that have a value of \$1,000 or more, have a useful life of more than one year, and add to the capital assets or infrastructure of the City.

Capital Improvements - Expenditures related to the acquisition, expansion or rehabilitation of an element of the government's physical plant; sometimes referred to as infrastructure.

Capital Improvement Program - The Capital Improvement Plan (CIP) is a comprehensive projection of capital investment projects which identifies priorities as to need, method of financing, and project costs and revenues that will result during a five-year period. The plan is a guide for identifying current and future fiscal year requirements and becomes the basis for determining the annual capital budget. The capital plan for the ensuing year must be formally adopted during the budget process.

Capital Outlay - Fixed assets that have a value of \$10,000 or more and have a useful economic life of more than one year.

Carry Over - Year-end savings that can be carried forward to cover expenses of the next fiscal year. These funds also pay for encumbrances from the prior year.

Cash Basis - A basis of accounting in which transactions are recognized only when cash is increased or decreased.

Commodities - Expendable items used by operating or construction activities. Examples include office supplies, repair and replacement parts for equipment, fuels and lubricants etc.

Contingency Fund - A budgetary reserve set aside for emergency or unanticipated expenses and/or revenue shortfalls. The City Council must approve all contingency expenditures.

Debt Service - The cost of paying principal and interest on borrowed money according to a predetermined payment schedule.

Department - A major administrative division of the City which indicates overall management responsibility for an operation or a group of related operations.

Depreciation - Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence.

Development Impact Fee - Cities and towns have the authority to impose fees that provide a direct benefit to the newly developed area, to offset costs for newly developed area's infrastructure costs.

Disbursement - The expenditure of money from an account.

Division - An organized unit within a department.

Employee Benefits - Contributions made by a government to meet commitments or obligations for employee benefits. Included are the government's share of costs for social security and the various pension, health and life insurance plans.

Encumbrance - The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for a specified future expenditure.

Ending Balance - The residual non-restricted funds that are spendable or available for appropriation at the end of the fiscal year.

Enterprise Fund - A governmental accounting fund in which the services provided, such as water or sewer or sanitation, are financed and operated similarly to those of a private business. The rate schedules for those services are established to ensure that user revenues are adequate to meet necessary expenditures.

Expenditure - Actual outlay of funds for an asset obtained or goods and services obtained regardless of when expense is actually paid.

Expenditure Limitation - An amendment to the Arizona State Constitution which limits annual expenditures of all municipalities. The limit is set by the Economic Estimates Commission based on population growth and inflation. All municipalities have the option of Home Rule, under which voters approve a four-year expenditure limit based on revenues received.

Fees - Fees are charges for specific services.

Fiscal Policy - A government's policies with respect to revenues, spending, and debt management as these relate to government services, programs and capital investment. Fiscal policy provides an agreed-upon set of principles for the planning and programming of government budgets and their funding.

Fiscal Year - The time period designated by the City signifying the beginning and end of the financial reporting period. The City has established July 1 to June 30 as the municipal fiscal year.

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

Fund - An accounting entity which has a set of self-balancing accounts and records all financial transactions for specific activities or government functions.

Fund Balance - Amounts shown as fund balance represent monies which remain unspent after all budgeted expenditures have been made.

Fund Summary - A fund summary, as reflected in the budget document, is a combined statement of revenues, expenditures, and changes in fund balance for the prior years actual, adopted, and estimated budgets, and the current year's adopted budgets.

General Fund - The general operating fund established to account for resources and uses of general operating functions of City departments. A majority of resources are provided by local and state shared taxes.

Generally Accepted Accounting Principles (GAAP) - Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles.

General Plan - A planning and legal document that outlines the community vision in terms of land use.

Goal - The end toward which effort is directed.

Government Finance Officers Association (GFOA) Budget Presentation Award - The GFOA Budget Presentation Awards Program is an international awards program for governmental budgeting. Its purpose is to encourage exemplary budgeting practices and to provide peer recognition for government finance officers preparing budget documents. Award criteria include coverage of four areas of interest: policy orientation, financial planning, operational focus, and effective communications.

Grants - This funding source includes State and Federal subsidies received in aid of a public undertaking. In some instances, grants are not currently available and a program may be set back due to lack of funding.

Highway User Revenue Fund (HURF) - A fund with revenues consisting of state taxes collected on gasoline, vehicle licenses and other transportation related fees. These funds must be used for street and highway purposes.

Improvement Districts - Improvement districts consist of property owners who desire improvements that will benefit all properties within the district. Bonds are issued to finance these improvements, which are repaid by assessments on affected property owners.

Indirect Cost - A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned, such as administrative support, facility maintenance or custodial services.

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

Inter-fund Transfer - The movement of monies between funds of the same governmental entity.

Intergovernmental Agreement - A contract between governmental entities as authorized by State law.

Intergovernmental Revenues - Revenues levied by one government but shared on a predetermined basis with another government or class of governments.

Line-Item Budget - A budget prepared along departmental lines that focuses on what is to be bought.

Local Transportation Assistance Fund (LTAF) - Revenues are generated by the State Lottery. Distribution of these funds is based on population. Funds must be used for public transit or streets, but a small portion may be used for cultural purposes.

Long Term Debt - Debt with a maturity of more than one year after the date of issuance.

Modified Accrual Basis - Under the modified accrual basis of accounting recommended for use by governmental funds, revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred pursuant to appropriation authority.

Objective - A specific measurable statement of the actual service(s) which a City program aims to accomplish.

Operating Budget - This budget, associated with providing on-going services to citizens, includes general expenditures such as personnel services, professional services, maintenance costs, supplies, and operation capital items.

Operating Revenue - Funds that the government receives as income to pay for ongoing operations, including such items as taxes, user fees, interest earnings, and grant revenues. Operating revenues are used to pay for day-to-day services.

Ordinance - An ordinance is a formal legislative enactment by the governing body of a municipality. If it is not in conflict with any higher form of law, such as a state statute or a constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies.

Per Capita - A unit of measure that indicates the amount of some quantity per person in the City.

Personal Services - The classification of all salaries, wages, and fringe benefits expenditures. Fringe benefits include FICA, Arizona State Retirement System, medical insurance, life insurance, workers compensation. In some cases, benefits may also include clothing allowances, and education assistance.

Policy - A plan, course of action or guiding principle, designed to set parameters for decisions and actions. A policy could also be a more precise statement of a desired course of action.

Primary Property Tax - all ad valorem taxes except for secondary property taxes.

Reserve/Contingency - A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for. The City Council must approve all contingency expenditures.

Resolution - A special or temporary order of a legislative body requiring less legal formality than an ordinance or statute.

Revenue - Receipts from items such as taxes, intergovernmental sources, and user fees or resources from voter-authorized bonds, system development fees, and grants.

Source of Revenue - Revenues are classified according to their source or point of origin.

Special Revenue Fund - Created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for specific activities with a special form of continuing revenues.

Tax Levy - The total amount to be raised by general property taxes for purposes specified in the Tax Levy Ordinance.

Supplemental Information

Transfers - All inter-fund transactions except loans or advances, quasi-external transactions and reimbursements.

Unreserved Fund Balance - The portion of a fund's balance which is not restricted for a specific purpose and is available for general appropriation.

User Fees or Charges - The payment of a fee for direct receipt of a public service by the party who benefits from the service.

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