

GLOSSARY

ACCOUNTING SYSTEM- The total structure of records and procedures which record, classify, summarize, and report information on the financial position and results of operations of a government or any of its funds, fund types, balanced account groups, or organizational components.

ACCOUNT PAYABLE- A liability account reflecting amounts on an open account owing to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE- An asset account reflecting amounts owing on an open account from private persons or organizations for goods and services furnished by a government.

ACCRUAL BASIS- The basis of accounting under which transactions are recognized when they occur, regardless of timing of related cash flows.

ADOPTED BUDGET- Refers to the budget amounts as originally approved by the council at the beginning of the year and also to budget document which consolidates all beginning-of-the-year operating appropriations and new capital project appropriations.

APPROPRIATION- An authorization made by the legislative body of a government, which permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period.

ASSESSED VALUATION- The total value of all real and personal property in the City, which is used as a basis for levying taxes. Tax-exempt property is excluded from the assessable base.

ASSETS- Property and equipment owned by a government which has monetary value.

BOND- A written promise to pay a specified sum of money called principal at a specified maturity date along with periodic interest paid a specified percentage of the outstanding principal. Bonds are typically used for long-term debt.

BUDGET- The financial plan for the operation of a program or organization for the year or for the completion of the project.

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

BUDGET MESSAGE- A general discussion of the proposed budget presented in writing as a part of or supplement to the budget document. The budget message explains principal

budget issues against the background of financial experience in recent years and presents recommendations regarding the financial policy for the coming year.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG). A form of federal grant received for a specific purpose.

CAPITAL IMPROVEMENT PROGRAM (CIP)- The five year schedule of capital improvement projects which encompass all funding sources and all organizational units of the government.

CAPITAL OUTLAYS- Expenditures which result in the acquisition of or addition to fixed assets which have a value of \$5,000 or more and have useful life of more than one year.

CAPITAL PROJECT- The largely one-time cost for acquisition construction, improvement, replacement, or renovation of land, structures and improvements thereon.

CURRENT ASSETS- Those assets which are available or can be made readily available to finance current operations or to pay current liabilities.

CURRENT LIABILITIES- Liabilities which are payable within one year.

D.A.R.E.- Drug Awareness Resistance Education.

DEPRECIATION- In accounting for depreciation, the cost of a fixed asset, less any salvage value is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DIVISION- A major organization unit within a department. Usually divisions are responsible for carrying out a major component of the department.

ENCUMBRANCES- Obligations in the form of purchase orders or contracts which are chargeable to an appropriation and for which a part of the appropriation is reserved.

ENTERPRISE FUND- A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the expenses including depreciation of providing goods or services to the general public on a continuing basis be financial or recovered primarily through user charges.

EXPENDITURES/EXPENSES- Where accounts are kept on the modified accrual or accrual basis of accounting, the cost of goods received or services rendered.

FEES- A general term used for any fixed charge levied by government associated with providing a service permitting an activity, or imposing a fine or penalty. Major types of fees include business and non-business licenses, fines, and user charges.

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.

FUND BALANCE- The difference between assets and liabilities reported in a governmental fund.

GENERAL FUND- The fund used to account for all financial resources except those required to be accounted for in another fund.

GOAL- A long-range desirable development attained by the time-phased objectives designed to implement a strategy.

GRANT- A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the state and federal governments.

HACA- Homestead and Agricultural Credit Aid. A property tax relief program determined by formula and paid to local governments before taxes are levied.

INTERGOVERNMENTAL REVENUES- Revenues from other governments in the form of grants, entitlements or shared revenues.

INTERNAL SERVICE FUND- A fund used to account for the financing of goods or services provided by one department of a government to other departments on a cost-reimbursed basis.

INVESTMENT- Securities permitted by law are purchased and held for the production of income in the form of interest.

LOCAL GOVERNMENT AID (LGA)-An aid program consisting of sales and income revenues collected by the State of Minnesota and redistributed to local governments to reduce local property tax burdens.

LOGIS-Local Government Information Systems- A consortium of Minnesota local government units whose purpose is to provide effective, reliable and adaptable technology solutions through the sharing of ideas, risks, resources and costs in a cooperative partnership that evolves with the consortium's needs.

MARKET VALUE HOMESTEAD CREDIT-An aid program designed to provide state-paid property tax relief to owners of certain qualifying homestead property.

MODIFIED ACCRUAL BASIS- The accrual basis of accounting adapted to the governmental fund-type measurement focus. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting

period in which the fund liability is incurred, if measurable, except for non matured interest on general long-term debt, which should be recognized when due.

MUNICIPAL STATE AID (MSA) An aid program consisting of gas tax revenues collected by the State of Minnesota redistributed to local governments for road improvements.

PROPOSED BUDGET- The recommended city budget submitted by the city manager to the city council.

PURCHASE ORDER- A document issued to authorize a vendor or vendors to deliver specified merchandise or render a specified service for a stated estimated price. Outstanding purchase orders at the end of the fiscal year are called encumbrances.

RESERVE- An account used to indicate that a portion of fund equity is legally restricted for a specific purpose or not available for appropriation and subsequent spending.

REVENUES- Generally an increase in net current assets.

SPECIAL REVENUE FUND- A fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

TAX CAPACITY PERCENTAGES- Old “classification percentages” that are applied to property’s market value; new tax capacity percentages will resemble effective tax rates (e.g., 1.00% for homes under \$500,000) and may help taxpayer understanding.

TAX CAPACITY- The old “assessed value” derived by using new tax capacity percentages.

TAX CAPACITY RATE- The old “mill rate” derived in same manner mill rates were determined. Tax capacity rate is equal to levy divided by tax capacity (old assessed value). New tax capacity rates will be expressed a percentages.

TAX INCREMENT FINANCING- Financing secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area.