

# Glossary of Budget Terms

## Account

A record of additions, deletions, and balances of individual assets, liabilities, equity, revenues, and expenses.

## Accrual Basis

A method of accounting in which revenue is recorded in the period in which it is earned (whether or not it is collected in that period), and expenses are reported in the period when they are incurred (no matter when the disbursements are made).

## Administrative Services Departments

Refers to organizational units or departments that primarily provide services to other departments or divisions. These include:

- **Legislative:** city councils, county commissioners, and their functions;
- **Financial Services:** the accounting, financial reporting, customer service, and treasury functions;
- **Personnel Services:** provides centralized personnel services to all city operations;
- **Administrative Services:** provides supervision of financial services and personnel services as well as budget, fiscal planning, tax and license, data processing, risk management, and other general administrative services;
- **Civil Service:** the independent panel that works with personnel/ hiring issues for the public safety departments.

## Agency Fund

A governmental accounting classification to record transactions where one jurisdiction is acting on behalf of another.

## Appropriation

The legal spending level authorized by the governing body of the local government via ordinance or resolution (whichever is the highest action for the local government). Spending should not exceed this level without prior approval of the governing body.

## Assessed Valuation

The value assigned by the county assessor to properties that is used to compute the property taxes.

## Assigned Fund Balance

A portion of fund balance that has been assigned by past council action for a specific purpose.

## BARS

An acronym for the Budgeting, Accounting, and Reporting System of the Washington State Auditor's Office which prescribes the accounting and reporting standards for local governments in Washington State.

## Benefits

Employer-provided employee benefits, such as social security, retirement, worker's compensation, life insurance, medical insurance, vision insurance, and dental insurance.

## Biennial Budget

A two-year budget process that can be adopted by local governments. For cities, biennial budgets can only begin on January 1 of an odd-numbered year. Counties can adopt a biennial budget that begins on January 1 of any year.

## Budget

A document that outlines the financial plan of operations for the local government. It is a plan, not a list of accounts and amounts.

## Budget Amendment

An ordinance/resolution which changes the amount(s) appropriated for the current budget. To amend the current budget, a budget amendment can only be adopted until December 31 of the current year.

## Capital Facilities Plan (CFP) / Capital Improvement Plan (CIP)

The element of the budget that deals with the expenditure of funds on durable capital facilities and equipment, typically with a value of more than \$5,000.

## Capital Outlay

An expenditure related to a capital asset or project where the total cost of the asset or project meets a minimum threshold (usually \$5,000 or more).

## Capital Project

A single project within the Capital Improvement Program.

## Cash Basis

A method of accounting in which revenue is reported in the period it is received and expenses are reported in the period they are paid.

## Committed Fund Balance

A portion of fund balance which is limited to certain uses that have been imposed by the governing body through the most binding formal action of the entity and remains binding unless removed through the same formal action.

## Cost Allocation

The assignment of costs incurred by a central services department (like "administrative services") to a fund based on the benefit received by the fund being assessed.

## Councilmanic Bonds

Bonds that can be authorized by the governing body without a vote of the public, up to the limits in state law.

## **Current Expense Fund**

See “General Fund.”

## **Debt Service**

Interest and principal payments on debt.

## **Debt Service Funds**

The type of fund that accounts for the payment of debt service on general obligations of the local government.

## **Enterprise Fund**

A type of proprietary fund in which the direct beneficiaries pay for all costs of the fund through fees, or where a periodic determination of revenues and expenses is desired by management.

## **Estimated Beginning Fund Balance**

An estimation of the cash available at the beginning of the budget year.

## **Estimated Ending Fund Balance**

An estimation of the cash available at the end of the year by taking the beginning cash balance plus estimated revenues minus estimated expenditures.

## **Fiduciary Funds**

A type of fund used to account for assets held in a trustee capacity for individuals, private organizations, or other governmental units.

## **Fund**

A self-balancing group of accounts that includes revenues and expenditures and is segregated for specific activities, objectives, or in accordance with regulations, restrictions, or limitations.

## **GAAP**

“Generally Accepted Accounting Principles,” which are mostly determined by the GASB for governments. The term also refers to the type of financial reporting to the SAO.

## **GASB**

“Governmental Accounting Standards Board,” which determines the underlying principles to be used in accounting for and reporting governmental activities.

## **General Fund**

The fund of the local government that accounts for all activity not specifically accounted for in other funds. Includes such operations as police, fire, engineering, planning, parks, museums, and administration.

## **General Obligations**

Bonds or other indebtedness of the local government for which the pledge made for repayment is the full faith and credit of the entity.

## **Governmental Fund Types**

Funds that provide general government services. These include the general fund, special revenue funds, capital projects funds, and debt service funds.

## **Interfund Loans**

Borrowings or advances from one fund to another fund with the expectation of repayment through collection of principal payments and interest as stipulated in a loan document, resolution, and/or ordinance.

## **Interfund Transfers**

Transfers of funds between different funds within the government (e.g., transfer from the water operations fund to the water capital fund). Transfers-in must equal transfers-out.

## **Intergovernmental Revenues**

Contributions and awards provided by the federal government, Washington State, and other local governments.

## **Internal Service Funds**

A type of proprietary fund that accounts for the goods and services provided to other units of the local government. Each unit should pay its proportionate share to receive such services.

## **Levy Certification**

The process of certifying the amount of property taxes to be levied by the county on behalf of taxing districts. Most taxing districts must submit a levy increase ordinance/resolution as well as a levy certification form, both of which can be found on the DOR website.

## **Levy Rate**

The property tax rate (per \$1,000 assessed value) that is used in computing property tax revenues.

## **LID**

“Local Improvement District.” A financing mechanism that permits the building of public infrastructure improvements which benefit a confined area and where the costs for those improvements are to be paid by the benefiting area land owners.

## **Mid-Biennium Review**

A review of a biennial budget that must occur during the first year of the biennial budget period.

## **Operating Budget**

The annual appropriation to maintain the provision of services to the public.

## **Preliminary Budget**

The budget which is proposed by staff to the governing body and has not yet been adopted.

## **Proprietary Funds**

A group of funds that account for the activities of the local government that are of a proprietary or “business” character (i.e., utilities). See “Enterprise Fund.”

## **Public Safety**

A term used to define the combined budget of the law enforcement, fire departments, dispatch, jail services, etc.

## **Restricted Fund Balance**

A portion of fund balance that is restricted to certain uses externally by law or legal agreements with an outside entity (creditors, donors, grantors, etc.).

## **Revenue Bonds**

Bonds sold by a local government that are secured only by the revenues of a particular system, usually a utility.

## **Special Revenue Funds**

General government funds which restrict or commit the use of revenues to a specific purpose.