

Budget Vocabulary

(Note: an Acronym Chart is located on the last page of this document)

1. **Accounting system:** The total set of records and procedures which are used to record, classify and report information on the financial status and operations of an entity.
2. **Accrual basis of accounting:** A basis of accounting in which debits and credits are recorded at the time they are incurred as opposed to when cash is received or spent.
3. **Activity:** A specific unit of work or service performed within a division or department.
4. **Ad valorem tax:** A tax levied on the assessed value of real property. This tax is also known as property tax.
5. **Appropriation:** An authorization made by the city council which permits expenditures of public resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period.
6. **Appropriation ordinance:** An ordinance through which appropriations are given legal effect.
7. **Assessed valuation:** The estimated value placed on real and personal property by the chief appraiser of the appraisal district as the basis for levying property taxes. All appraisal activity is the responsibility of the county assessor's office. The assessed value is calculated by multiplying the appraised value of the property by the assessment ratio of that property.
8. **Assessment ratio:** Percent of fair market value of the property upon which the tax rate will be applied.
9. **Audit:** A methodical examination of the use of resources. It concludes in a written report of the auditor's findings, and it is a test of management's accounting system to determine the extent to which internal accounting controls are both available and being used. A financial audit is a review of the accounting system and financial information to determine how government funds were spent and whether expenditures complied with the legislative body's appropriations.

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10. **Bond:** A written promise to pay a specified sum of money, called the face value or principal amount, at a specific date(s) in the future, called the maturity dates(s), together with periodic interest at a specified rate. The difference between a note and a bond is that a bond runs for a longer period of time and requires more legal formality. (See General obligation bonds and Revenue bonds.)
11. **Budget:** A comprehensive financial plan of operation which incorporates an estimate of proposed expenditures for a given period and the proposed means of financing them.
12. **Budget basis:** Generally referred to as cash basis accounting. Cash basis accounting records revenue when cash is received, and expenses when they are paid in cash.
13. **Budget calendar:** The schedule of key dates or milestones which the city follows in the preparation and adoption of the budget.
14. **Budget document:** The official written statement prepared by the Finance Department which represents the proposed city budget as presented to council for approval.
15. **Budget message:** A general discussion of the proposed budget presented in writing as a part of the budget document. The budget message explains principal budget issues against the background of the present economy and financial experience in recent years.
16. **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 available appropriations and available revenues.
17. **Capital equipment:** Equipment with a minimum established value and an expected life of more than one year.
18. **Capital improvements:** Physical assets that have an established minimum construction or purchase cost. Capital improvements typically involve streets, water and wastewater systems, and recreational facilities.

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19. **Coding:** A system of numbering or otherwise designating accounts, entries, invoices, vouchers, etc. in such a manner that the symbol used quickly reveals necessary information. Other uses of coding occur in accounting journal entries and other types of audit information.
20. **Current taxes:** Taxes levied and becoming due within one year.
21. **Debt:** An obligation resulting from borrowed money or from the purchase of goods and/or services. Debts of government include bonds and notes.
22. **Debt limit:** The maximum amount of general obligated debt which is legally permitted. The State of South Carolina forbids cities from incurring debt in excess of eight percent of the total assessed valuation of taxable property within the city with some exceptions.
23. **Debt service:** The payment of principal and interest on borrowed funds such as bonds.
24. **Deficit:** 1) The excess of liabilities of a fund over its assets. 2) The excess of expenditures over revenues during an accounting period. 3) In the case of proprietary funds, the excess of expenses over income during an accounting period.
25. **Delinquent taxes:** Taxes that remain unpaid after the date they are due, includes penalties for nonpayment.
26. **Department:** A major administrative division of the city which manages an operation or group of related operations within a functional area.
27. **Depreciation:** The decrease in value of physical assets due to use and passage of time.
28. **Enterprise fund:** A fund established to account for operations (a) that are financed and operated in a manner similar to private business enterprises. It is the governing body's intent that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily covered through user charges. Examples are those for water, wastewater and electric utilities.

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29. **Expenditures:** The amount of cash paid or to be paid for a service rendered, goods received or an asset purchased.
30. **Fiscal year:** Any consecutive 12-month period designated as the budget year.
31. **Fixed assets:** Assets of long-term character which are intended to continue to be held or used, such as land, buildings, machinery and furniture.
32. **Fund:** An accounting entity that has self-balancing accounts and that records all financial transactions for specific activities or government functions.
33. **Fund balance:** The excess of an entity's assets over its liabilities.
34. **Generally Accepted Accounting Principles:** A body of accounting and financial reporting standards set by the Governmental Accounting Standards Board for state and local governments and by the Financial Accounting Standards Board for private sector organizations.
35. **General fund:** The fund used to account for all financial resources except those required to be accounted for in another fund.
36. **General obligation bonds:** When the city pledges its full-faith and credit to the repayment of the bonds it issues, those bonds are considered general obligation bonds. Sometimes the term is used to refer to bonds which are repaid from taxes and other general revenue.
37. **Governmental Accounting Standards Board:** The authoritative accounting and financial reporting standard-setting body for government entities.
38. **Grant:** A contribution by a government or other organization to support a particular function. Grants may be classified as either categorical or block, depending upon the amount of discretion allowed the grantee.
39. **Interfund transfers:** Amounts transferred from one fund to another.

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40. **Intergovernmental revenue:** Revenue received from other governments, either local, state or federal, usually in the form of grants, entitlements, shared revenues or payments in lieu of taxes.
41. **Investment:** Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals or base payments.
42. **Levy:** To impose taxes, special assessments or service charges for the support of city activities.
43. **Long-term debt:** Any unmatured debt that is not a fund liability because it is not currently due.
44. **Mill:** Property tax rate which is based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of property valuation.
45. **Millage rate:** The amount of tax applied to assessed value of property.
46. **Modified accrual accounting:** A basis of accounting in which expenditures are accrued but revenues are accounted for on a cash basis. This accounting technique is a combination of cash and accrual accounting because expenditures are immediately recorded as a liability while revenues are not recorded until they are actually received or are “measurable” and available for expenditure. Because this type of accounting basis is a conservative financial approach, it is recommended as the standard for most governmental funds.
47. **Operating budget:** A budget for general expenditures such as salaries, utilities and supplies.
48. **Performance measurement:** A method of evaluation that uses measurable performance of activities to determine achievement of goals.
49. **Personal property:** Motor vehicles, boats, airplanes, etc.
50. **Property tax:** Property taxes are levied on both real and personal property according to the property’s assessed valuation and the tax rate applied.

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51. **Real property:** Building and land property.
52. **Reserve:** An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.
53. **Resources:** Total dollars available for appropriations including estimated revenues, fund transfers and beginning fund balances.
54. **Revenue:** Income generated by taxes, business licenses, user fees, fines and forfeitures, reimbursements and investments.
55. **Revenue bonds:** When a government issues bonds which do not pledge the full faith and credit of the jurisdiction, it issues limited liability revenue bonds. Typically, pledges are made to dedicate one specific revenue source to repay these bonds. Revenue bonds are not included in the eight percent general obligation debt limit set by the State.
56. **Special assessments:** A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.
57. **Special revenue fund:** A fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
58. **Shared revenues:** Revenues received by the state government but shared on a predetermined basis, often in proportion to the amount collected at the local level. For example, state shared revenue include taxes on income, alcoholic beverages and motor transportation collected at the state level and returned to local governments.
59. **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 the term include charges for services rendered only to those paying such charges, such as sewer charges.
60. **Unencumbered balance:** An amount appropriated for a project or department that has not been spent and has not been earmarked for a specific task.

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Abbreviation and Acronym Chart:

- FASB – Financial Accounting Standards Board
- FY – Fiscal Year
- GAAP – Generally Accepted Accounting Principles
- GASB – Governmental Accounting Standards Board
- GO – General obligation bonds