

# Glossary of Key Terms

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**Accrual Basis.** The recording of the financial effects on a government of transactions, events, and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

**Activity Indicators.** A quantifiable measure of program activity that does not necessarily reflect program performance.

**Ad valorem tax.** A tax levied on the assessed value of both real and tangible personal property in proportion to the value of the property (also known as “property tax”).

**Administrative Charge.** Reimbursements to the General Fund for indirect costs incurred against General Fund budgets.

**Allocation.** Assigning one or more items of cost or revenue to one or more segments of an organization according to benefits received, responsibilities, or other measures of use.

**Amortize.** To liquidate a debt, such as a mortgage or bonds payable, by installment payments or payments into a sinking fund, or to write off an expenditure by prorating it over a certain period of time

**Appraised Value.** The market dollar value given to real estate, utilities, and tangible personal property; established through notification, hearing and appeals, and certification process.

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

**Arbitrage.** With respect to municipal bonds issued on a tax-exempt basis, “arbitrage” is the incremental difference between the cost to the municipality of interest paid to bondholders at tax-exempt rates, and any interest earnings made by investing the bond proceeds at higher yields until the proceeds are spent. This “profit” is strictly limited by the Internal Revenue Service, and must be paid over to the U.S. government.

**Assessed Value.** Appraised value of property adjusted downward by a classification factor, to determine the basis for distributing the tax burden to property owners.

**Attrition.** A gradual, natural reduction in membership or personnel, as through retirement, resignation, or other means.

**Audit.** A systematic collection and review of the sufficient, competent evidential matter needed to attest to the fairness of management’s assertions in the financial statements or to evaluate whether management has carried out its responsibilities.

**Balanced Budget.** A budget in which estimated expenditures equal estimated resources for financing.

**Budget Enforcement Act (BEA) of 1990.** The BEA is the law that was designed to limit discretionary spending while ensuring that any new entitlement program or tax cuts do not make the deficit worse. It sets annual limits on total discretionary spending and creates “pay-as-you-go” rules for any changes in entitlements and taxes. (See “pay-as-you-go.”)

**Budget.** A plan of financial operation embodying an estimate, for a given period, of proposed expenditures and the related means of financing them. In practice, budget designates either the proposed financial operating plan presented to the appropriating governing body for adoption, or the plan finally approved by that body.

**Bond.** 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, called the maturity date(s), together with periodic interest at a specified rate. A bond differs from a note in that a bond is issued for a longer period of time than a note and requires greater legal formality.

**Capital Asset.** A tangible asset owned by a governmental unit, which has an initial cost of \$2,500 or more and a useful life of three years or more. Examples of capital assets include land, improvements to land, buildings, furniture, fixtures, and equipment.

**Capital Improvement Budget (CIB).** The CIB is the first two years of the five-year Capital Improvement Plan. Project budgets for projects in the CIB can be brought to the City Council for consideration throughout the year.

# Glossary of Key Terms

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**Capital Improvement Plan.** A five-year plan beyond the capital budget year which indicates projects being considered for each of those years. This plan allows departments to schedule projects over a five-year period anticipating future repairs and construction.

**Capital Improvement Program (CIP).** A capital improvement program is a long-range, multi-year plan of capital improvement projects. It is used in the development of annual operating and capital budgets, strategic plans, and long-range financial plans. It provides the means for evaluating facility and infrastructure projects.

**Capital Outlay.** A category of accounts used to account for the authorization and expenditure of monies for the acquisition of capital assets, which are not properly recorded in a capital project fund.

**Capital Project.** A project authorized by the governing body for the acquisition or construction of a major capital asset. Financial transactions of capital projects are recorded in capital project funds.

**Capital Projects Funds.** Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital assets, other than those financed by proprietary funds and trust funds.

**Commodities Account.** A category of accounts used to record the authorization and expenditure of monies for acquisition of tangible materials and supplies.

**Contractual Services Account.** A category of accounts used to record the authorization and expenditure of monies for the purchase of services.

**Debt Financing.** The long-term borrowing of money by government or a business, usually in exchange for debt securities or a note, in order to obtain working capital or to retire other indebtedness.

**Debt Service Account.** A category of accounts which represent the authorization and expenditure of resources allocated for the payment of principal, interest, and related charges on long term bonded debt.

**Debt Service Fund.** A Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Deficit.** The amount by which a sum of money falls short of the required or expected amount; a shortage or loss. A deficit fund balance indicates that resources expected to be realized are less than expenditures expected to be made in that particular fund.

**Department.** A major organizational unit of the administrative structure of the government, headed by an individual who reports directly to the City Manager, and who has direct responsibility for the overall operation of the unit.

**Depletion.** The use or consumption of a resource faster than it is replenished.

**Division.** An organizational unit of the Topeka government which is a subset of a department. Usually the division is a specialized operating unit with a specific area of responsibility, *i.e.*, patrol, traffic, and investigation are divisions in the police department.

**Enterprise Fund.** A fiscal entity established to record the financial transactions of an enterprise operation. An enterprise operation is one which receives its revenues from fees charged for services rendered, operates like a private sector business, and focuses its financial accounting on capital preservation and income measurement. Included in Enterprise Funds are Proprietary and Internal Service Fund types.

**Expenditures.** The term used in accounting for Governmental and Fiduciary Funds to describe decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of current assets; debt service; capital outlay; and intergovernmental payments, such as grants and entitlements.

**Expenses.** The term used in accounting for Proprietary Funds to describe outflows or other depletion of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

# Glossary of Key Terms

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**Fiduciary Fund.** Included in Fiduciary Funds are Trust and Agency fund types. Expendable Trust Fund types are accounted for like Governmental Funds. Non-expendable Trust Fund types are accounted for like Proprietary Funds. Agency Fund types are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Fiscal Year.** A period of time, which is used to account for financial position and results of operations. The City of Topeka uses the calendar year as its fiscal year.

**Full-Time Equivalent (FTE).** A position converted to the decimal equivalent of a full-time position based on 2,080 hours worked per year. For example, a part-time person working 20 hours per week, or 1,040 hours per year, would be the equivalent of 0.5 of a full-time position.

**Fund.** A fiscal and accounting entity with a self balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions, or limitations.

**Fund Balance.** The difference between fund assets and fund liabilities of Governmental and Fiduciary Funds.

**Fund types.** Three broad fund categories in governmental accounting are subdivided into eight generic fund types: General, Special Revenue, Capital Projects, Debt Service, Enterprise, Internal Service, Trust, and Agency. The eight generic fund types can be grouped together under three comprehensive fund designations: Governmental, Proprietary, and Fiduciary. Included in Governmental Funds are General, Special Revenue, Debt Service, and Capital Projects Fund types. Included in Proprietary Funds are Enterprise and Internal Service Fund types. Included in Fiduciary Funds are Trust and Agency Fund types.

**General Fund.** The Governmental Fund type used to account for all financial resources except those required to be accounted for in another fund.

**Goals.** General purposes towards which effort is directed; broad, issue-oriented statements reflecting organization priorities.

**Governmental Accounting Standards Board (GASB).** The GASB is the independent private sector organization, formed in 1984, that establishes and improves financial accounting and reporting standards for state and local governments. Its seven members are drawn from a diverse constituency, including preparers and auditors of state and local government financial statements, users of those statements, and members of the academic community.

**GASB 34.** GASB 34 refers to Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* issued by GASB in June 1999.. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. As implemented, it creates new information and restructures much of the information that governments have presented in the past.

**Governmental Fundtypes.** The generic fund types considered as Governmental Fund types are General, Special Revenue, Capital Projects, and Debt Service types.

**Guideline.** A suggested course of action that implements a policy.

**Income.** A term used in Proprietary Fund type accounting to represent (1) revenues or (2) the excess of revenues over expenses.

**Internal Service Fund types.** Internal Service Fund types are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

**Level Debt Service Strategy.** A strategy designed to maintain a level amount of resources from year-to-year devoted to paying debt service.

**Levy.** (1) (Verb) To impose taxes, special assessments or service charges for the support of government activities. (2) (Noun) The total amount of taxes, special assessments or service charges imposed by a government.

# Glossary of Key Terms

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**Long-Term Program.** The planning or time horizon that deals with events beyond the short-term and mid-term, typically from two to twenty years, though most often two to five or seven years.

**Measurement Focus.** The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported there, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

**Mill.** One one-thousandth of a dollar of assessed value. Property tax levy rates are expressed in mills.

**Mission.** A short statement describing the purpose of an organization and the direction it intends to take to achieve success.

**Modified Accrual Basis.** The modified accrual basis is the accrual basis adapted to the Governmental Fund type measurement focus. Under it, revenues are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" revenues are those that are collectible in the current period or within sixty (60) days thereafter, which will be used to pay liabilities of the current period. Expenditures are recorded when the fund liability is incurred, except for debt service expenditures and the expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. All Governmental Funds and all Fiduciary Fund types except Agency Fund types are accounted for using the modified accrual basis of accounting.

**Moody's Investors Services.** An independent corporation that provides services such as credit ratings, research, risk analysis and financial information to the capital markets. Credit ratings and research help investors analyze the credit risks associated with fixed-income securities. Such independent credit ratings and research also contribute to efficiencies in fixed-income markets and other obligations, such as insurance policies and derivative transactions, by providing credible and independent assessments of credit risk.

**Object Class.** When used in relation to government payments or appropriations, refers to a portion of an account number that categorizes the transaction. For instance, object class "10" accumulates compensation to employees, and object class "23" designates education and training services.

**Objective.** Specific targets designed to achieve a particular goal. An end toward which effort is directed and where resources are focused, usually to achieve an organization's strategy.

**Office.** Usually refers to an elective or appointive position such as Mayor or City Manager, sometimes is used to refer to the physical location of the space in a governmental structure.

**Other Financing Sources.** Governmental Fund general long-term debt proceeds, amounts equal to the present value of the minimum lease payments arising from capital leases, proceeds from the sale of general fixed assets, and operating transfers in. Such amounts are classified separately from revenues on the governmental operating statement.

**Other Payments.** A category of accounts used to record authorizations and expenditures which cannot be included in any of the other object classes.

**Pay-As-You-Go.** Set forth by the Budget Enforcement Act (BEA), refers to requirements that new spending proposals on entitlements or tax cuts must be offset by cuts in other entitlements or by other tax increases, to ensure that their enactment does not cause the deficit to rise. (See BEA.)

**Performance Measure.** A measurement of results or conditions, related to a program, which can be used to determine the degree of performance achieved.

**Personnel Services.** A category of accounts used to record authorizations and expenditures for salaries, wages and other compensation, and benefits paid to employees.

**Policy.** A written statement stating an organization's official position on an issue.

# Glossary of Key Terms

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**Practice.** A customary way of operation or behavior.

**Procedure.** A particular course of action intended to achieve a result.

**Program.** A group of activities, operations, or organizational units directed at attaining specific purposes or objectives.

**Proprietary Fund types.** The generic fund types considered as Proprietary are Enterprise and Internal Service fund types.

**Retained Earnings.** An equity account reflecting the accumulated earnings of an Proprietary Fund.

**Revenue.** (1) Increases in the net current assets of a Governmental Fund types attributable to sources other than expenditure funds, residual equity transfers, general long-term debt proceeds, or operating transfers into the fund. (2) Increases in the net total assets of Proprietary Fund types from sources other than expense refunds, capital contributions, and residual equity transfers.

**Review Principle.** An established principle, normally tied to policy, that is referenced or relied upon when making decisions on recommended projects or activities.

**Short-Term Initiative.** An organized and coordinated strategy to address needs, issues or desires within the current cycle or period, typically one to two years.

**Significant Features.** An outline or statement that explains the changes in programming or personnel in a department.

**Special Revenue Fund type.** This Governmental Fund type is used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.