

.....**A**.....

- 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.

- Accrual Basis of Accounting:** A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.

- Activity:** A specific unit of work or service performed.

- Appropriation:** An authorization made by the City Council 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.

- Appropriation Ordinance:** The official enactment by the City Council establishing the legal authority for the City officials to obligate and expend resources.

- Assessed Valuation:** The estimated value placed upon real and personal property by the County Assessor as the basis for levying property taxes.

- Assets:** Property owned by the City which has monetary values.

- Audit:** A systematic examination of resource utilization concluding in a written report. It is a test of management's internal accounting controls and is intended to:
 - ascertain whether financial statements fairly present financial positions and results of operations;
 - test whether transactions have been legally performed;
 - identify areas for possible improvements in accounting practices and procedures;
 - ascertain whether transactions have been recorded accurately and consistently; and
 - ascertain the managerial conduct of officials responsible for governmental resources.

.....**B**.....

- Balance Sheet:** A statement purporting to present the financial position of an entity by disclosing its assets, liabilities, and fund equities as of a specific date. Under varying circumstances, assets are carried at "lower of cost or market", "cost less allowance for depreciation", etc.

- Base Budget:** Ongoing expense for personnel, contractual services, and the replacement of supplies and equipment required to maintain service levels previously authorized by the City Council.

- Basis of Accounting:** The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes.

- Bond (Debt Instrument):** A written promise to pay (debt) a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt to pay for specific capital expenditures.

Budget (Operating): A plan of financial operation embodying an estimate of proposed expenditures for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates). The term is also sometimes used to denote the officially approved expenditure ceilings under which the City and its departments operate.

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

Budget Message: A general discussion of the proposed budget presented in writing as a part of, or supplement to, the budget document. Explains principal budget issues against the background of financial experience in recent years and presents recommendations made by the City Manager.

.....C.....

Capital Assets: Assets of significant value and having a useful life of more than one year. Capital assets are also called fixed assets.

Capital Budget: A plan of proposed capital expenditures and the means of financing them. The capital budget is enacted as part of the City's consolidated budget which includes both operating and capital outlays, and is based on a capital improvement program (CIP).

Capital Improvement Program (CIP): A plan for capital expenditures to be incurred each year over a period of ten future years setting forth each capital project, the amount to be expended in each year, and the method of financing those expenditures.

Capital Outlays: Expenditures for the acquisition of capital assets. Includes the cost of land, buildings, permanent improvements, machinery, large tools, rolling and stationary equipment.

Capital Projects: Projects which purchase or construct capital assets. Typically a capital project encompasses a purchase of land and/or the construction of a building or facility.

Capital Projects Fund: Used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary Funds).

Certificate of Deposit: A negotiable or non-negotiable receipt for monies deposited in a bank or financial institution for a specified period for a specified rate of interest.

Comprehensive Annual Financial Report (CAFR): the official annual financial report of a government, which encompasses all funds.

Community Development Block Grant (CDBG): The Housing and Community Development Act of 1974 provides funds to cities and counties to develop urban communities, decent housing, suitable living environments, and expanded economic opportunities primarily for the benefit of low and moderate-income people. This federal program gives priority to activities which benefit low and moderate-income individuals.

Commodities: Items of expenditure (in the operating budget) which after use, are consumed or show a material change in their physical condition, and which are generally of limited value and are characterized by rapid depreciation. Office supplies and motor fuel are examples of commodities.

Contingency: A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.

Contractual Services: Expenditure for services the City receives from an internal service fund or an outside company. E.g., utilities, rent, and maintenance service agreements.

.....**D**.....

Debt Service: Payment of interest and repayment of principal to holders of the City's debt instruments.

Debt Service Fund: Used to account for the accumulation of resources for, and payment of general long-term debt.

Deficit: (1) Excess of an entity's liabilities over its assets (See Fund Balance)
(2) Excess of expenditures or expenses over revenues during accounting period.

Depreciation: (1) Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence.
(2) That portion of the cost of a capital asset ~ charged as an expense during a particular period.

.....**E**.....

Education Revenue Augmentation Fund (ERAF): In 1992, the State of California enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties and special districts). The State did this by instructing county auditors to shift the allocation of local property tax revenues from local government to educational revenue augmentation funds, directing that specified amounts for city, county and other local agency property taxes be deposited into these funds to support schools.

Encumbrances: Obligations in the form of purchase orders or contract commitment are chargeable to an appropriation and for which a part appropriation is reserved. They cease to be encumbrances when an actual liability is set up.

Enterprise Fund: Separate financial accounting used for government operations financed and operated in a manner similar to a business enterprise where the intent of the governing body is for the costs (expenses in depreciation) of providing goods or services to the general public be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public policy, management control, or other purposes. Examples of Enterprise Funds are those used for transit systems.

Expenditures: Where accounts are kept on the accrual or modified accrual basis accounting, the cost of goods received or services rendered whether payments have been made or not. Where accounts are kept on basis, expenditures are recognized only when the cash payments above purposes are made.

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- Fiscal Year:** The twelve month period beginning July 1st and ending the following June 30th.
- Fixed Charges:** Items of expenditure for services rendered by internal operation City. Rental of City equipment, computer services, building rental, operating expenses, and depreciation are examples of fixed charge.
- Full Faith and Credit;** A pledge of the City's taxing power of a government to repay obligations (typically used in reference to General Obligation Bonds supported debt).
- Fund:** An independent fiscal and accounting entity with a self-balancing 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 Excess of an entity's assets over its liabilities. A negative fund balance is sometimes called a deficit.

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- General Fund:** The fund supported by taxes, fees, and other revenues that may be used for any lawful purpose. The general fund accounts for all financial resources except those required to be accounted for in another fund.
- Generally Accepted Accounting Principals (GAAP):** The conventions, rules, and procedures that serve as the norm for the fair presentation of the financial statements.
- General Obligation Bonds:** When the City pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (G.O.) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues. In California, G.O. bonds must be authorized by public referenda with two-thirds voter approval.

.....**I**.....

- Intergovernmental 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. Grants are usually made for specified purposes.
- Internal Service Fund:** Funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City.
- Investment:** Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals or base payments.

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- Liability:** Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed or refunded at some future date. NOTE: The term does not include encumbrances.

.....**M**.....

Maturities: The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.

Modified Accrual Basis: The accrual basis of accounting where revenues are recognized when they become both “measurable” and “available” to finance expenditures of the current period. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting.

Measure M: An initiative passed by Orange County voters to fund transportation improvements using revenue generated by a countywide half-cent sales tax. The various cities of Orange County receive funding from the Orange County Transportation Authority (OCTA) and are required to spend the monies on transportation projects.

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Object of Expenditure: Expenditure classifications based upon the types or categories of goods and services purchased. Typical objects and expenditure include:

- personnel services (salaries and wages);
- contractual services (utilities, maintenance contracts, travel);
- commodities;
- fixed charges (rental of City equipment, City building rental); and
- capital outlays.

Operating Funds: Resources derived from recurring revenue sources used to finance ongoing operating expenditures and pay-as-you-go capital projects.

.....**P**.....

Performance Measures: Specific quantitative measures of work performed within an activity or program (e.g., total miles of streets cleaned). Also, a specific quantitative measure of results obtained through a program or activity (e.g., reduced incidence of vandalism due to new street lighting program).

Personnel Services: Items of expenditures in the operating budget for salaries and wages paid for services performed by City employees, the incidental fringe benefit cost associated with City employment, and amounts paid to outside firms, consultants, or individuals for contract personal services.

.....**R**.....

Rating: The creditworthiness of a City is evaluated by independent agencies.

Reserve: An account used to indicate that a portion of fund equity is legally restricted for a specific purpose, or set aside for emergencies or unforeseen expenditures not otherwise budgeted for. Reserve accounts can also be used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures.

Resources: Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.

Revenue: The term designates an increase to a fund's assets which:
- does not increase a liability (e.g., proceeds from a loan);
- does not represent a repayment of an expenditure already made;
- does not represent a cancellation of certain liabilities; and
- does not represent an increase in contributed capital.

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. In addition to a pledge of revenues, such bonds sometimes may be secured by a lien against property. In Santa Ana, revenues are typically derived from rates charged for utilities.

Revenue Estimate: A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.

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

Special Revenue Fund: Used to account for the proceeds of special revenue sources that are restricted by law (or administrative action) to expenditures for specific purposes.

.....**T**.....

T-Rating: Designates a position which will be eliminated from the budget upon the departure of the incumbent employee.

Triple Flip: In March 2004, the voters of California approved Proposition 57(the California Economic Recovery Bond Act) which reduced the City of Santa Ana's Local Sales and Use tax by ¼% and replaced (backfilled) the reduction with dollar-for-dollar allocation of local property tax.

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Unit Cost: The cost required to produce a specific product or unit of service (e.g., the cost to purify one thousand gallons of water).

User Charges (also Known as User Fees): The payment of a fee for direct receipt of a public service by the party benefiting from the service.

UDAG: Urban Development Action Grant.

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Yield: The rate earned on an investment based on the price paid.