

## Appendix C

### GLOSSARY

**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:** Specific or distinguishable type of work performed by a component of government for the purpose of accomplishing a function for which the government is responsible.

**Appropriation:** Legal authorization by the City Council to make expenditures and to incur obligations for specific purposes.

**Assessed Valuation:** A valuation set upon real estate or other property by a government as a basis for levying taxes.

**Availability Criterion:** Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**Basis of Accounting:** The timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid).

**Bond:** A written promise to pay a specific sum of money, called the face value or principal amount, at a specified date or dates in the future, called the maturity dates, together with periodic interest at a specified rate.

**Budget:** The financial plan for the operation of a program or organization, which includes an estimate of proposed expenditures for a given period, and the proposed means of financing those expenditures.

**Budget Message:** A general outline of the budget, which includes comments regarding the government's experience during the past period, its financial status at the time of the message, and recommendations regarding the financial policy for the coming period.

**Budgetary Basis of Accounting:** The method used to determine when revenues and expenditures are recognized for budgetary purposes.

**Business-Type Activities:** Activities of the City that are financed in whole, or in part, by fees charged to external parties for goods or services. These activities are accounted for as enterprise funds and include the Airport, Transit, Parking, Golf Course, Boat Harbor, Marina, Ambulance, Refuse Collection, Landfill, Transfer Station, Water Pollution Control, and Collection and Drainage funds.

**Capital Improvements Program:** An annually updated plan or schedule of projected expenditures for public facilities and improvements which includes estimated project costs, sources of funding, and timing of work over a five-year period. For financial planning and general management, the program is presented as a plan of work and proposed expenditures, and is the basis for appropriation requests and bond issues.

**Capital Projects Expenditures:** Expenditures for facilities, facility or other improvements, or equipment which are non-recurring in nature and have a total cost in excess of \$25,000.

**Capital Outlay/Capital Expenditure:** Operating budget expenditures for assets which have a value of \$300 or more and have a useful economic lifetime of more than one year.

**Capital Projects Fund:** Fund used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Commodities:** Supplies required by the municipality in order to perform services to its citizens.

**Community and Economic Development Function:** Government function that provides for planning and development of the City including the social, physical and economic needs of the City. Activities included in this function are Community Development, Economic Development and the Municipal Housing Programs.

**Contractual Services:** Services other than employee services such as contractual arrangements and consultant services, which may be required by the municipality.

**Culture and Recreation Function:** This function promotes the general well being of the City and encourages the fullest development of cultural and educational potentials of the citizens in the community. This function includes the activities of library, art center, parks and recreation, and cemetery.

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

**Depreciation:** An appropriation is expended when a capital asset is acquired or constructed. By definition, a capital asset has a service life expected to extend over more than one fiscal period. The process of allocating the cost of a capital asset to the periods during which the asset is used is called depreciation.

**Encumbrances:** Obligations in the form of purchase orders, and/or contracts, which are chargeable to an appropriation and for which a part of the appropriation is reserved.

**Encumbrance Variance:** Differences between amounts encumbered to a budget year and the actual amount paid for those obligations in the succeeding year.

**Enterprise Fund:** A fund established to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of a governing body is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Expenditures:** The cost of goods received or services rendered for the government unit. For the City of

Muscatine, expenditures are charged against an appropriation when incurred, not when paid.

**Fiscal Policy:** The City of Muscatine's policy with respect to taxes, spending and debt management as they relate to government services, programs, and capital investments.

**Fiscal Year:** A twelve-month period to which an annual operating budget applies. The City of Muscatine's fiscal year is from July 1 through June 30.

**Fringe Benefits:** Benefits paid by the City of Muscatine for social security, retirement, group health, life, dental and long-term disability insurance. It also includes costs for worker's compensation and unemployment.

**Function:** A group of related activities aimed at providing a major service or regulatory program for which a government is responsible.

**Fund:** The fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equity or balances and changes therein which are segregated for the purpose of carrying out specific activities or obtaining certain objectives in accordance with special regulations, restrictions or limitations.

**Fund Balance:** Funds remaining after the application of available revenues and resources to support expenditures for the fund.

**General Fund:** A fund used to account for all financial resources except those required to be accounted for in another fund.

**General Government Function:** Function that provides for the operation of the government and assures the general administration of the municipality. Activities included in this function are mayor and council, legal services, city administrator, human resources, wellness program, finance, computer operations, risk management, and buildings and grounds.

**General Obligation Bonds:** Bonds for the payment of which the full faith and credit of the issuing government are pledged.

**Goal:** Broad statement of desired results for the city, department, and/or activity relating to the quality of services to be provided to the citizens of Muscatine.

**Governmental Funds:** Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service fund, capital projects funds, and permanent funds.

**Health and Social Services Function:** Government function which provides for assistance to service agencies involved in providing health and social services in the community. For the City, this function includes the Economic Well-Being activity.

**Intergovernmental Revenues:** Revenue from other governments, primarily in the form of Federal and State grants, but may also be payments from other local governments.

**Internal Service Fund:** A fund used to account for the financing of goods and services provided by one

department or agency to other departments or agencies of a government on a cost-reimbursement basis.

**Landfill Closure and Postclosure Care Costs:** Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid-waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs).

**Legal Debt Margin:** The excess of the amount of debt legally authorized over the amount of debt outstanding.

**Level of Service:** Generally used to define the existing or current services, programs, and facilities provided by the government for its citizens. Level of service of any given activity may be increased, decreased, or remain the same depending upon the needs, alternatives, and available resources.

**Levy:** The total amount of taxes, special assessments, or service charges imposed by a government to support governmental activities.

**Modified Accrual Basis of Accounting:** Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which are recognized when due.

**Objectives:** Specific measurable achievements that an activity seeks to accomplish within a given time frame, which are directed to a particular goal. An objective should be stated in terms of results, not processes or activities. For the City of Muscatine, departmental objectives are included in the department's budget request.

**Ordinance:** A formal legislative enactment by the governing body of a municipality.

**Performance Measurement:** Commonly used term for service efforts and accomplishments reporting.

**Permanent Funds:** A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

**Personal Services:** Expenditures for salaries, wages, and related employee benefits for persons employed by the municipality.

**Proprietary Funds:** Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

**Public Safety Function:** Government function that provides for services to reduce the amount and effects of external harm to individuals and damage to property, and in general to promote an atmosphere of personal security from external events. Police, animal control, fire, and emergency management activities are included in this function.

**Public Works Function:** Government function that provides for safe and well-maintained infrastructure for the City. Activities included in this function are public works administration, roadway maintenance, snow and ice control, street cleaning, traffic control and engineering.

**Resolution:** An order of a legislative body requiring less legal formality than an ordinance; additionally, it has less legal status.

**Revenue:** Income received by the City of Muscatine to support the government's program of services to the citizens. Income includes such items as property tax, fees, user charges, grants and fines.

**Special Assessment:** 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.

**Special Revenue Funds:** Funds used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Taxable Valuations:** Valuations set upon real estate or other property by a government as the basis for levying taxes.

**Taxes:** Compulsory charges levied by government for the purpose of financing services performed for the common benefit. This does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments.

**Trust and Agency Funds:** Funds used to account for assets held by a government in a trustee or agent capacity for individuals, private organizations, other governments, and/or other funds.