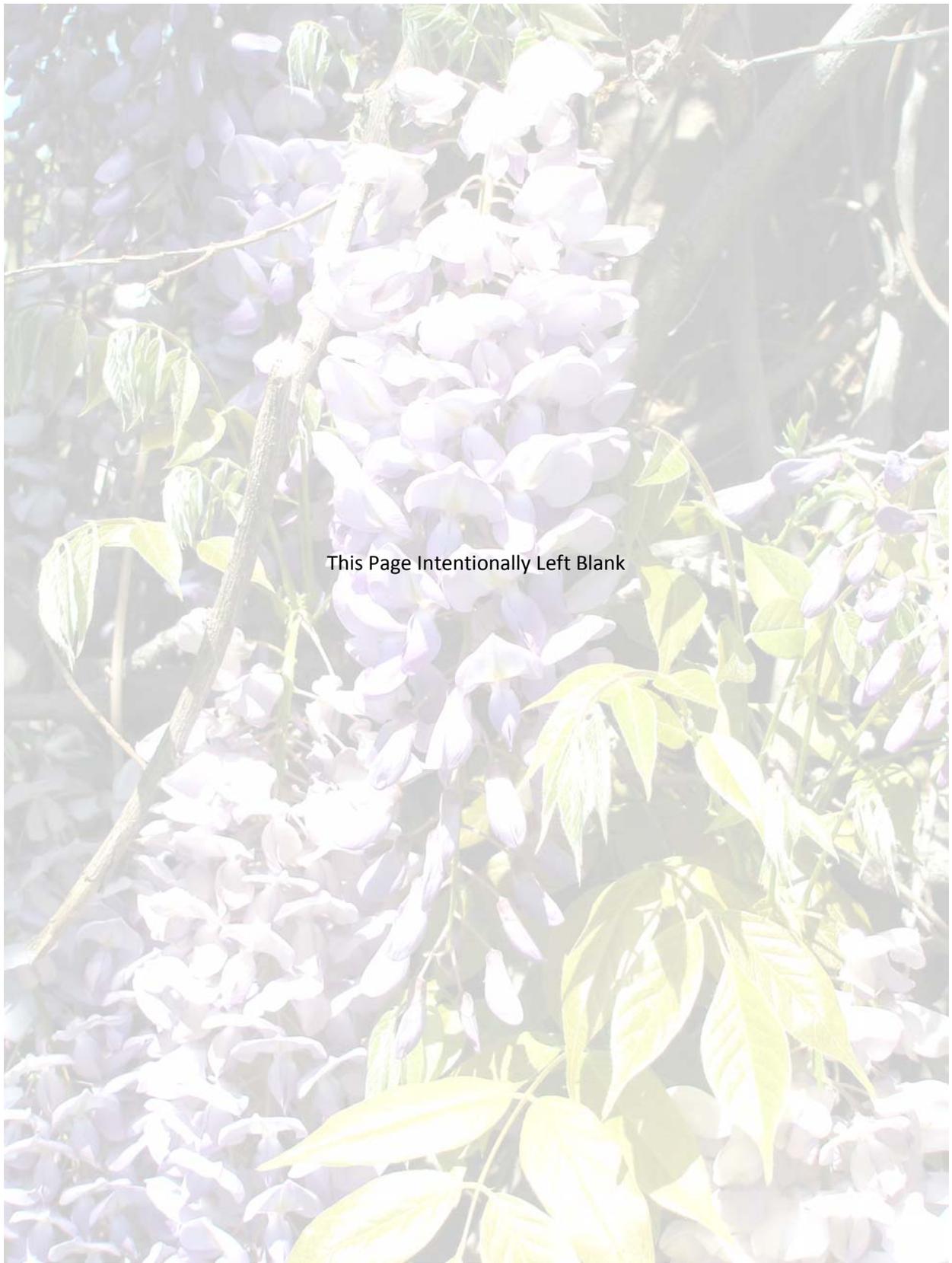


# **City of Sierra Madre, California**

*Village of the Foothills*



## **Glossary FY 2013-2015**



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## A

**Accrual Basis of Accounting:** Revenues are recognized when both measurable and available; expenditures are recorded when services have been substantially performed or goods have been received and the liabilities incurred.

**Actual:** A cost sustained in fact, on the basis of costs incurred, as distinguished from forecasted or estimated costs.

**Ad-Hoc:** For the specific purpose, case, or situation at hand and for no other. Ad-Hoc are usually used in reference to City Council committees and commission to limit terms, scope or purpose.

**Ad Valorem Tax:** (which means "according to its value.") A tax based on the assessed value of real estate or personal property. In the State of California, Proposition 4 limits Ad Valorem taxes. Proposition 13 limits property tax to 1 percent of the assessed valuation of the property.

**Adopted Budget :** The official budget as approved by the City Council at the start of each fiscal year.

**Affiliated Agency:** A legally separate entity which, because its operations are substantively part of the City's mission and operations, and because the City bears responsibility and accountability for fiscal matters of the entity, is budgeted for and reported on by the City in its budgetary and financial statements.

**Agency Fund:** An account for assets held by the City in a trustee capacity or an agent for individuals, private organizations, other governmental units, and/or other funds.

**Amended Budget:** Represents the adopted budget including changes made during the year.

**Appropriation:** An authorization by the City Council to make expenditures and/or expenses and to incur obligations for a specific purpose within a specific time frame.

**Assessed Valuation:** The value of real property that a taxing authority places upon personal property for the purposes of taxation.

**Assessment Improvement District:** A designated area receiving services for common grounds benefiting property owners such as median landscaping.

**Asset:** Any item of economic value owned by an individual or corporation, especially that which could be converted to cash. Examples are cash, securities, accounts receivable, inventory, office equipment, and other property. On a balance sheet, assets are equal to the sum of liabilities, and fund balance.

**Audit:** Conducted by an independent Certified Public Accounting (CPA) firm, the primary objective of an audit is to determine if the City's Financial Statements present the City's financial position fairly and results of operations are in conformity with generally accepted accounting principles.



## B

**Balanced Budget:** A budget in which total budgeted resources, including revenues, transfers in from other funds, and unallocated fund balance from previous years meet or exceed total budgeted use of resources including expenditures and transfers out to other funds.

**Biennial:** Occurring every two years. The City adopts a biennial budget covering two fiscal years, FY 2007-08 and FY 2008-09.

**Bond:** A written promise issued by the City to pay a specific sum of principal amount, at a specific date(s) in the future, together with periodic interest at a special rate to raise capital, usually to pay for the construction of long-term infrastructure projects. Two major types of bonds include General Obligation Bonds and Revenue Bonds.

**Bond Proceeds:** Funds received from the sale or issuance of bonds.

**Bonded Debt:** The amount at which a bond or note is bought or sold above its par value or face value without including accrued interest.

**Budget:** A plan of financial operation comprised of estimated expenditures for a given period (usually a single fiscal year) and the proposed means of financing the expenditures (through revenues).

**Budget Preparation:** Process by which the biennial fiscal spending plan is prepared by City staff for presentation as the City Manager's Recommended Budget to the City Council.

**Budget Review Process:** Process by which the Recommended Budget is discussed and finalized in Public Hearing by the City Manager and City Council.

## C

**Capital Budget:** A financial plan showing planned expenses, and revenues associated with those expenses, for purchase or construction of capital improvements which have a useful life of over one year. The City of Sierra Madre prepares a five-year plan called the Capital Improvement Program (CIP) Budget. Appropriations are added to projects each fiscal year as the CIP is adopted.

**Capital Expenditures:** Money spent to purchase or construct capital improvement projects and purchases as approved in the CIP budget.

**Capital Improvements:** A permanent physical addition to the City's assets including the design, construction, and/or purchase of lands buildings, facilities, or major renovations.

**Capital Outlay:** A budget appropriation category for equipment having a unit cost of more than \$10,000 and an estimated useful life of over one year.

Capital Projects Fund: See Fund, this section.

**Cash Basis Accounting:** Style of accounting in which revenues and expenses are recognized when they are received or disbursed rather than when they are earned or incurred.

**Charges for Services:** Reimbursement for services rendered to the public or to some other program/fund in the City.

**City Council:** a five member board with equal voting rights.

**City Clerk:** A general discussion of the budget. The letter contains an explanation of principal budget items and summaries.



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**City Treasurer:** A general discussion of the budget. The letter contains an explanation of principal budget items and summaries.

**City Manager's Transmittal Letter:** A general discussion of the budget. The letter contains an explanation of principal budget items and summaries.

**Community Development Block Grant (CDBG):** A federal intergovernmental transfer program to state and local governments, which provides minimally- restricted grant moneys for the provision of local health, human service, housing, education and public welfare needs. The grants are minimally restricted in that the federal government allows the local government to determine the grant uses.

Consumer Price Index (CPI)

**Consumer Price Index (CPI):** A measure used to reflect the change in the price of goods and services.

**Contingency:** An appropriation of funds to cover unforeseen events that occur during the fiscal year, such as natural emergencies.

## **D**

**Debt Service:** The payment of principal and interest on an obligation resulting from the insurance of bonds, notes, or certificates of participation. Details of expenditures can be found in the Non-Departmental section of the Operating Budget.

**Debt Service Requirements:** The amount of money required to pay interest on outstanding debt and required contributions to accumulate moneys for future retirement of bonds.

**Deficit:** An excess of expenditures or expenses over revenues (resources).

**Designated Fund Balance:** A portion of unreserved fund balance designated by City policy for a specific future use.

**Deferred Compensation:** An agreement between an employer and an employee under which the employee will receive compensation during periods in which he or she is no longer working – after retirement, death and/or disability.

**Department:** A major organizational group of the City with overall management responsibility for an operation or a group of related operations within a functional area.

**Departmental Expenditures:** Planned spending by individual departments in the City associated with the provision of services and programs to the public.

**Direct Costs:** Expenses associated with the actual provision of a service or program.

**Division:** An organizational subgroup of a department.



## E

**Encumbrance:** A legal obligation or commitment to expend resources in the future for a service or item, such as a long-term contract or purchase order. The use of encumbrances helps prevent overspending and provides officials with information on the amount of money remaining to be spent.

**Enterprise Fund:** Governmental entities that operate in a manner similar to, and provide services competitive with, those of private business enterprises. Enterprises are self-supporting - service fees rather than taxes or transfers are used to fund the business on a continuing basis.

**Entitlements:** Payments to which local governmental units are entitled, pursuant to an allocation formula determined by the agency providing the monies, usually the State or the Federal government.

**Expenditure / Expense:** The term 'expenditure' refers to the outflow of funds paid or to be paid for an asset obtained or goods and services received regardless of when the expenditure is actually paid. This term applies to Governmental Funds. The term 'expense' is used for Enterprise and Internal Service Funds. Fees for Services: Charges paid to the City by users of a service to help support the costs of providing that service.

## F

**Fiduciary Fund:** Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

**Fiscal Accountability:** The responsibility of government to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (budgetary year).

**Fiscal Year (FY):** The twelve month period on which the budget is planned. The City's fiscal year begins July 1 and ends June 30 of the following year.

**Franchise:** The right or license granted to an individual or group to market a company's goods or services in a particular territory.

**Full Time Equivalent (FTE):** The conversion of part-time employee hours to an equivalent of a full-time position. For example: one person working half time would count as 0.5 FTE.

**Fund (also listed by alphabet):** A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Sierra Madre uses the following fund types and account groups:

*Governmental Fund Types:*

- General Fund is that fund into which the general (non-earmarked) revenues of the City are deposited and from which monies are appropriated to pay the general expenses of the City.
- Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are restricted by law or administrative action to expenditures for specified purposes.



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- Debt Service Funds account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt and related costs.
- Capital Project Funds account for financial resources segregated for the acquisition, construction, and renovation of major capital projects or facilities (other than those financed by proprietary fund types).

*Proprietary Fund Types*

- Enterprise Funds account for operations in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.
- Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governmental units on a cost-reimbursement basis.

*Fiduciary Fund Types*

- Agency Funds account for assets held by the City as trustee or agent for individuals, private organizations, other governmental units, and /or other funds. These funds are custodial in nature (assets correspond with liabilities) and do not involve measurement of results of operations.

*Account Groups*

- General Fixed Asset Group accounts for and controls all City general fixed assets, other than those in the proprietary funds, of long-term character such as land, buildings and structures, and major equipment.
- General Long-Term Debt Account Group accounts for the City's outstanding long-term liabilities that are expected to be paid from future revenues of the governmental funds.

**Fund Balance:** A term used to express the equity (assets minus liabilities) of governmental fund and fiduciary fund types. However, for budgeting purposes, a working capital definition of current assets minus current liabilities is used for the computation. Also used interchangeably with "RESERVES". Fund balances are considered unrestricted unless designated by City Council and are sub-divided and reported as "Restricted Fund Balance".

## **G**

**Gann Appropriations Limit:** Article XIII-B of the California State Constitution provides limits regarding the total amount of appropriations in any fiscal year from tax proceeds.

**General Fund:** That fund into which the general (non-earmarked) revenues of the City are deposited and from which monies are appropriated to pay the general expenses of the City.

**General Obligation Bond (G.O.):** A bond secured by a pledge of the issuer's taxing powers (limited or unlimited). More commonly the general obligation bonds of local governments are paid from ad valorem property taxes and other general revenues. Considered the most secure of all municipal debt. Limited in California by Proposition 13 to debt authorized by a vote of two thirds of voters in the case of local governments or a simple majority for state issuance.



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**Generally Accepted Accounting Principles (GAAP):** Uniform minimum standards of/and guidelines for financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provides a standard by which to measure financial presentations.

**Government Accounting Standards Board (GASB):** A private, non-profit organization established in 1984; responsible for setting generally accepted accounting principals for state and local governments.

**Governmental Fund Types:** Funds generally used to account for tax-supported activities.

**Grant:** Contributions, gifts of cash, or other assets from another governmental entity to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant provided by the Federal Government.

## **I**

**Impact Fees:** Fees charged to developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development.

**Information Technology (IT):** A term that encompasses all forms of technology used to create, store, exchange and utilize information in its various forms including business data, conversations, still images, and multimedia presentations. The term information technology includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources. In the City organization, the IT is a division of Administrative Services which provides support of internal and external technology support.

**Infrastructure:** Long-lived assets that normally are stationary in nature and normally can be preserved for a significant greater number of years than most capital assets. They can be defined as physical facilities, on which an entire community depends, such as sewers, storm drains, streets, buildings, utility lines and parks. The City follows GASB 34 for the recording of Infrastructure Assets.

**Interfund Transfers:** Monies transferred from one fund to another. Such money is transferred to finance the operations of another fund or to reimburse the fund for certain expenditures/expenses.

**Intergovernmental Revenue:** Revenue collected by one government and distributed (usually through some predetermined formula) to another level of government(s).

**Internal Services Charges:** Charges used to account for the services provided by one department to another on a cost-reimbursement basis. These charges are accounted for in separate funds: Facilities, Fleet, Administration, Information Technology, Worker's Compensation, and Self-Insurance.



## J

**JPA (Joint Powers Authority):** A JPA is formed when it is to the advantage of two or more public entities with common powers to consolidate their forces to acquire or construct a joint-use facility. The City participates in JPIA, Joint Powers Insurance Authority, for Worker's Compensation and Other General Liability Insurance.

## L

**Levy:** To impose or assess a tax on a person or property. The City's ability to levy taxes is restricted by State law.

**Liability:** A claim on the assets of an entity.

**Local Agency Investment Fund (LAIF):** An investment pool managed by the State of California.

**Long-term Debt:** Debt with a maturity of more than one year after the date of issue.

## M

**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.

**Municipal Code:** A book that contains the City Council approved ordinances currently in effect. The Code defines City policy with respect to areas such as planning, etc.

## N

**Net Pension Obligation:** Term used in connection with defined benefit pension plans. The cumulative difference between annual pension cost and the employer's contributions to the plan.

**Non-Personnel:** City operations and capital purchases and projects exclusive of personnel (salary and benefits) costs.

## O

**Object:** A term used in connection with the classification of expenditures.

**Operating Budget:** The portion of the budget that pertains to daily operations providing basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, materials, and capital assets required to maintain service levels.

**Operating Transfers:** Legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, such as transfers from the General Fund to a Special Revenue or Capital Projects Fund.



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**Ordinance:** A formal legislative enactment by the City Council. It has the full force and effect of law within City boundaries unless pre-empted by a higher form of law.

**Organization Chart:** A pictorial representation of the administrative and functional structure of a City unit.

**Original Budget:** The first completed appropriations budget (adopted budget).

**Other Post Employment Benefits (OPEB):** The promise of health (medical, dental and vision) benefits after retirement from the City. The City is required to report the OPEB obligation (see pension obligation definition) by FY 2009-2010.

## **P**

**Performance Measures:** Data collected regarding program results, which indicate the level of achievement of a desired result.

**Personnel Expenses:** Compensation paid to, or on behalf of, City employees for salaries and wages, overtime and benefits.

**Policy:** A direction that must be followed to advance toward a goal. The direction can be a course of action or a guiding principal.

**Program:** A grouping of activities organized to accomplish basic goals and objectives.

**Principal:** The face value of a bond, exclusive of interest.

**Property Tax:** A tax levied on real estate and personal property.

**Property Transfer Tax:** A tax assessed on all real property transfers at the current rate of \$.55 per \$500 in assessed value, and is collected at the time of the transfer with the County receiving half the collected amount.

**Proprietary Fund:** 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 and internal services funds.

**Public Employees Retirement System (PERS):** Statewide retirement system that covers full-time City employees.

**Public Financing Authority:** The Sierra Madre Financing Authority (SMFA) is a component unit of the City of Sierra Madre and the Sierra Madre Community Redevelopment Agency formed for the purpose of issuing bonds to provide financial assistance to the City and Agency.

## **R**

**Reappropriation:** The inclusion of a balance from the prior year's budget as part of the budget of the subsequent fiscal year. Reappropriations are presented to the City Council for approval in late October of each fiscal year and usually include overlapping fiscal year expenditures and/or encumbrances.

**Recommended Budget:** The draft financial budget document detailing the City Manager's recommended spending plan for the next fiscal year. The Recommended Budget is reviewed and modified by the City Council before formal adoption as the Adopted Operating Budget.

**Redevelopment Agency:** A legislatively established subdivision of government established to revitalize blighted and economically depressed areas of a community and to promote economic growth. Tax Allocation Bonds are issued to pay the cost of land and



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building acquisition and their redevelopment and are repaid by the incremental increase in property tax revenues produced by the increased assessed value of the area after redevelopment.

**Regular Employees:** City employees, usually full-time, who receive some form of medical, dental and retirement benefits.

**Reserves:** A term used to express the equity (assets minus liabilities) of governmental fund and fiduciary fund types. However, for budgeting purposes, a working capital definition of current assets minus current liabilities is used for the computation. Also used interchangeably with "FUND BALANCES".

**Resolution:** A special order of the City Council which has a lower legal standing than an ordinance.

**Resources:** Supply of funds to be used in paying for planned expenditures.

**Restricted Fund Balance:** The portion of a governmental fund balance (or net assets) that is not available for appropriation, but is ear marked by the City Council for a specific use.

**Retained Earnings:** An equity account reflecting the accumulated earnings of Proprietary Fund types. For budgeting purposes, the working capital definition of fund balance is used.

**Revenue:** Moneys that the City receives as income such as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, rents and interest income.

**Revenue Bond:** A municipal bond whose debt service is payable solely from the revenues received from operating the facilities acquired or constructed with the proceeds of the bonds.

**Risk Management:** A managed approach to protecting an organization's assets against accidental loss in the most economical manner.

## **S**

**Sales Tax:** A tax on the purchase of goods and services.

**Special Assessment:** A compulsory levy made against certain properties to defray all or part of the costs of a specific capital improvement or service deemed to benefit primarily those properties.

**Special Revenue Fund:** Funds that account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

## **T**

**Taxes:** Compulsory charges levied by a government to finance services performed for the common benefit. This term does not include specific charges made against particular persons for 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.

**Tax Allocation Bond:** Bonds issued in conjunction with a redevelopment project. The taxes pledged to their repayment come from the increase of assessed value over and



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above a pre-established base. The redevelopment creates this added value, known as the tax increment.

**Timeliness:** The principle that financial reporting must be issued soon enough after the reported events to affect decisions.

## **U**

**Unrestricted Fund Balance:** The portion of a governmental fund balance (or net assets) that is available for appropriation. The amount listed in fund balance is assumed to be unrestricted unless set aside in "Restricted Fund Balance".

**User Charges/Fees:** The payment of a fee for direct receipt of a service by the party benefiting from the service.

**Utility Users Tax (UUT):** A tax imposed on users for various utilities in the City including Telephone, Gas, Electric and Water/Sewer services.