

## **Accrual Basis Accounting**

Under this accounting method, transactions are recognized when they occur, regardless of the timing of related cash receipts and disbursements. Enterprise funds use this basis of accounting.

## **Assigned Fund Balance**

Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; the expression of intent does not have to be made prior to year end.

## **Assessed Valuation**

The value placed upon real and personal property by the County Assessor to levy annual property taxes.

## **Blending**

Presentation of the data of a component unit as though it were one or more fund(s) of the primary government.

## **Budget Adjustment**

An accounting transaction to modify a budget appropriation - by Council adoption of an ordinance, or by Finance Director authorization to adjust appropriations within a fund.

## **Budget Basis**

The form of accounting utilized throughout the budget process. The City budgets for its general government funds using the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Liabilities are recognized when incurred (except for long-term debt, which is carried in the general long-term debt account group).

The City's accounting records for its Enterprise Funds (Water, Sewer and Storm & Surface Water Utilities) are maintained on a full accrual basis; revenues are recognized when earned and expenses are recognized when incurred.

## **Budget Calendar**

The schedule of key dates or milestones, which the City follows during the preparation, adoption and administration of its budget.

## **Budget Document**

The City's budget document is used to present a comprehensive financial spending plan to its citizens, the City Council, and other interested parties.

## **Budget Message**

The budget message is written by the City Manager. It is provided in the Introduction section of the budget document to provide City Council and the public with a general summary of the most important aspects of the budget, changes from the current and previous fiscal years, and recommendations regarding financial policies for the coming period.

## **Budget Policies**

Guidelines that govern financial plan preparation and administration.

## **Budgetary Control**

Budgetary safeguards used to ensure that expenditures do not exceed a fund's legally authorized appropriation.

## **Capital Asset**

Along-term asset over \$5,000 that is not purchased or sold in the normal course of business. Capital assets generally include fixed assets, e.g., land, buildings, equipment, fixtures, and furniture.

## **Capital Facilities Plan (CFP)**

The CFP is a seven-year comprehensive financial plan and needs assessment that identifies and prioritizes funding for capital improvements such as facilities, parks, transportation, and utility projects.

## **Capital Improvement Program (CIP)**

A plan to provide for the maintenance or replacement of existing public facilities and capital assets and for the construction or acquisition of new ones.

**Capital Improvement Program Budget**

A Capital Improvement Program Budget is accounted for separately from a government's operating budget. Items in the CIP are usually construction or renovation projects designed to improve the value of the governmental assets. Examples of capital improvement projects include new roads, sewer lines, buildings, recreational facilities, and large scale remodeling.

**Capital Outlay**

Expenditures which result in the acquisition of (or additions to) a government's fixed assets.

**Capital Projects Fund**

A fund created to account for financial resources designated for the acquisition, construction, or renovation of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds).

**Consumer Price Index (CPI)**

An index established and updated by the Federal Department of Labor. It measures the change in prices paid over time for a fixed set of goods and services.

**Cost Center**

An organizational budget/operating unit or division within a City department, i.e., City Clerk is a cost center within the General Fund's Executive Department.

**Committed Fund Balance**

Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action (Resolution by City Council) to remove or change the constraint.

**Component Unit**

A legally separate organization for which the elected officials of the primary government are financially accountable. Component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Current Expense Fund**

This fund is used to pay the expenses and liabilities of the City's general services and programs, and is commonly called the General Fund.

**Debt Limitation**

For general municipal purposes, the City is limited to unvoted debt of 1.5% of the value of taxable property within the City. With a 3/5 majority vote, the City may issue debt of up to 2.5% of the value of taxable property. With voter approval, the City may issue debt of up to an additional 2.5% for municipal utilities - and an additional 2.5% for acquiring or developing open space and parks facilities.

**Debt Service**

The amount of principal and interest the City is obligated to pay each year on long-term debt, plus the interest it is obligated to pay on short-term debt.

**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.

**Deficit**

An excess of expenditures over revenues.

**Department**

A major administrative division of the City, which indicates overall management responsibility for an operation or group of related operations with a functional area.

**Direct Debt**

The sum of total bonded debt plus any unfunded debt (i.e., short-term notes) for which the City has pledged its “full faith and credit.” This does not include the debt of overlapping jurisdictions.

**Encumbrance**

The legal commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for a future expenditure.

**Enterprise Fund**

A governmental accounting fund in which the services provided are financed and operated similarly to those of a private business. It is the intent of the City that the costs (including depreciation) of providing services to the general public be financed or recovered primarily through user fees. Rates for services should be established to ensure revenues are adequate to meet all necessary expenditures.

**Estimated Revenue**

The amount of revenue projected to be collected during a fiscal period.

**Excess Property Tax**

An unlimited tax levy which may be used only to retire the principal and interest or redemption charges on bond indebtedness. Under State law, the City may impose an excess operating tax levy if approved by a majority of the voters. An excess property tax is also commonly called a levy lid lift.

**Expenditure**

The outflow of financial resources for goods and services received. NOTE: An encumbrance is not an expenditure; an encumbrance only reserves funds expected to be expended.

**Federal Emergency Management Agency (FEMA)**

An agency that provides funding for hazard mitigation.

**Fiduciary Fund Type**

The trust and agency funds used to account for assets held by the City in a trustee capacity.

**Financial Plan**

A long-term spending plan which establishes fiscal policies, goals and objectives for the City.

**Fiscal Year (FY)**

The time period designated by the City signifying the beginning and ending dates for recording financial transactions. The City of Bothell has specified January 1 through December 31 as its fiscal year.

**Fixed Assets**

Assets such as land, building, machinery, furniture, and other equipment. The City has defined fixed assets as those with an acquisition cost of \$5,000 or more and a minimum estimated life of two years.

**Full-Time Equivalent (FTE)**

Number of commensurable hours equivalent to those of a regular, full-time employees (2,080 hours per year).

**Fund**

An accounting entity that records all financial transactions for specific activities or government functions. Eight commonly used fund types in public accounting are: general fund, special revenue fund, debt service fund, capital projects fund, enterprise fund, trust and agency fund, internal service fund, and special assessment fund.

**Fund Balance**

Also known as financial position, fund balance is the excess of current assets over current liabilities (plus any reserves).

**General Fixed Asset Account Group**

A self-balancing group of accounts established to record all transactions pertaining to the City’s fixed assets.

**General Fund (Current Fund)**

The primary operating fund of the City. General Fund revenues include regular property taxes, retail sales tax, utility taxes, licenses and permits, service charges, and other locally generated types of revenue. The fund accounts for basic government services such as police and fire protection, finance, data processing, courts, attorneys, and administration.

**General Government Revenue**

The revenues of a government other than those derived from and retained in Enterprise Funds.

**General Long-Term Debt Account Group**

An account group that accounts for the balances due on long-term indebtedness. The group also accounts for the dollar value of the accrued vacation and other compensated absences of City employees.

**General Obligation Bonds**

General Obligation Bonds, also known as GO Bonds, finance a variety of public projects such as streets, buildings, and capital improvements. Bonds are repaid from excess property taxes, and are backed by the “full faith and credit” of the issuing government. The issuance of Unlimited General Obligation Bonds must be submitted to voters for approval. The City can also issue Councilmanic General Obligation Bonds, which are non-voted.

**Goal**

A statement of broad direction, purpose, or intent.

**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.

**Implicit Price Deflator (IPD)**

An index used by the State to determine allowable annual growth in inflation for property tax calculation.

**Improvement District**

An area that is established to receive specific capital improvements or services deemed to benefit primarily those properties within its boundaries.

**Interfund Services**

Services provided by one fund to another and are considered as reciprocal interfund activities because payment is made for services received. The City records and reports these transactions as “charges for service revenues and expenditures” in the appropriate funds.

**Interfund Transfers**

Recorded transactions that support the operations of other funds and are classified as “other financing sources or uses” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Internal Service Fund**

A fund used to account for the financing of goods or services provided by one department to another, or to other governments, on a cost-reimbursement basis.

**Lease Purchase Agreement**

A contractual agreement by which capital outlay may be purchased by making annual lease payments.

**Line-Item Budget**

A budget that lists each expenditure category (salary, materials, telephone service, travel, etc.) separately, along with the dollar amount budgeted for each specified category.

### **Local Improvement District Bonds**

Local improvement district bonds can be issued by a City to finance improvements in specific areas of the municipality. The property owners benefiting from the improvements are assessed and billed annually to pay for the cost of retiring the bonds. This type of financing mechanism is generally used for projects such as street improvements and the extension of sewer lines.

### **Long-Term Debt**

Debt that matures more than one year after the date of issuance.

### **Maturity Date**

The date by which long-term debt is scheduled to be paid off.

### **Modified Accrual Basis Accounting**

Under this accounting method, revenues are recognized when they become both measurable and available to finance expenditures for the current period. Expenditures, for the most part, are recognized when the fund liability is incurred—except for pre-payments, accumulated employee leave, and long-term debt.

### **Net Assets**

Excess of the value of assets (cash, investments, receivables, and other assets) over the value of liabilities.

### **Net Direct Debt (or Net Bonded Debt)**

Direct debt minus self-supporting debt.

### **Non-Operating Expense**

An expense which is not directly related to the provision of the services, i.e., debt service.

### **Non-Operating Revenue**

Revenue which is generated from other sources, i.e., interest, and is not directly related to service activities.

### **Nonspendable Fund Balance**

Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

### **Objective**

A statement of specific direction, purpose, or intent based on the goals established for a specific department.

### **Operating Budget**

The portion of the budget that pertains to daily operations and supports basic governmental services. An operating budget contains appropriations for expenditures such as personnel, supplies, utilities, training, travel, and fuel.

### **Operating Revenue**

Funds that the government receives as income, exclusive of other financing sources such as bond proceeds. In governmental fund types, this includes revenues such as tax payments, fees for specific services, receipts from other governments, fines, forfeitures, grants, state shared revenues, and interest income. Proprietary Fund revenues are directly related to the primary activities of the fund, i.e., user fees.

### **Overlapping Debt**

The City's proportionate share of the debt of other local governmental units which either overlap it or underlie it. The debt is generally apportioned based on assessed value.

### **Performance Budget**

A budget that focuses upon departmental goals and objectives rather than line items, programs, or funds. Workload and unit cost data are often collected and analyzed in order to assess the effectiveness and efficiency of services.

### **Performance Measures**

Specific quantitative and qualitative measures that provide a means of analyzing the effectiveness and efficiency of a work product.

**Program Budget**

A budget that focuses on broad functions or activities, rather than organizational budget units or object expenditure classifications.

**Property Tax Limits**

The amount of property tax allowable under State law that the City may levy annually without voter approval. Bothell utilizes property tax revenue primarily to support its General Fund and public safety.

**Puget Sound Regional Council (PSRC)**

A council of governments representing the Puget Sound region of western Washington. The PSRC is headed by an executive board that assists member agencies with the administration of government, community development, planning of municipal facilities, and road improvements.

**Real Estate Excise Tax (REET)**

The City collects a 0.5% REET on all sales of real estate within the City. These funds are restricted for capital spending that is identified in the City's Capital Facilities Plan. Both the first and second 0.25% may be spent for the planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalk, street and road lighting systems, traffic signals, bridges, water systems, and storm and sewer systems.

In addition, the first 0.25% may be spent for parks and recreation facility acquisition; as well as the planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation or improvement of law enforcement facilities, fire protection facilities, trails, and administrative and judicial facilities.

**Regular Property Tax**

A statutory limited tax levy, which is based on assessed property value and may be imposed by a government for any purpose.

**Reserve**

An account used to indicate that a portion of a fund's assets is dedicated for or legally restricted to a specific purpose and is, therefore, not available for general appropriation.

**Residential Customer Equivalent (RCE)**

Used by King County as a unit for determining sewer service volume charges for commercial customers.

**Restricted Fund Balance**

Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**Revenue Bonds**

Bonds usually sold for construction projects that will produce additional revenues for the government. The new revenue is pledged to pay the principal and interest of the bond. Revenue bonds are not subject to the debt limitation as regulated by the State constitution. Revenue bonds are often utilized by a government's business type activities, which are funded by user fees.

**Risk Management**

Protecting a government's assets against loss in the most efficient and effective method.

**Self-Supporting Debt**

Debt for which the City has pledged a repayment source separate from its general revenues.

**Source of Revenue**

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

**Special Revenue Funds**

Funds used to account for the proceeds from specific revenue sources that are legally restricted to expenditures for specific purposes.

**Transportation Improvement Program (TIP)**

A TIP is required to be prepared annually; it prioritizes transportation projects and potential funding sources.

**Unassigned Fund Balance**

Amounts that are available for any purpose; these amounts are reported only in the General Fund.

**Trust and Agency Funds**

Also known as fiduciary funds. Fiduciary funds are used to report assets held in an agency capacity for others, and therefore are not available to support City programs. The reporting focus is on net position, using accounting principles similar to proprietary funds.