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# Glossary

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## GENERAL TERMS

The following explanations of terms are presented to aid in understanding the narrative discussions and illustrations included in this budget document and the terminology generally used in governmental accounting, auditing, financial reporting and budgeting.

### **Accountability**

The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry to justify the raising of public resources and the purposes for which they are used.

### **Accounting System**

The methods and records established to identify, assemble, analyze, classify, record and report a government's transactions and to maintain accountability for the related assets and liabilities.

### **Accrual Basis**

The recording of the financial effects on a government of transactions and other 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.

### **Annual Budget**

A budget applicable to a single fiscal year. See Budget and Operating Budget.

### **Appropriations**

An authorization by the City Council to make expenditures and to incur obligations for a specific purpose. An appropriation is usually limited in amount as to the time when it may be expended.

### **Assessed Valuation**

A dollar value placed on real estate or other property by Yolo County as a basis for levying property taxes.

### **Audit**

An annual audit is required by the State of California. Prepared by an independent certified public accountant (CPA), the primary objective is to determine if the City's Financial Statements present fairly the City's financial position and results of operations in conformity with generally accepted accounting principals. The independent auditor customarily issues a Management Letter stating the adequacy of the City's internal controls

as well as recommending improvements to the City's Financial Management Practices.

### **Basis of Accounting**

A term used to refer to when revenues, expenditures, expenses, transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.

### **Bond**

A City may raise capital by issuing 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, together with periodic interest at a special rate.

### **Budget**

A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body of adoption, and sometimes, the plan finally approved by the body.

### **Budget Document & Message**

The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating governing body. Included in the Introductory Section of the Budget providing for a general discussion of the proposed budget as presented in writing by the City Manager to the City Council. The message contains an explanation of principal budget items and summaries found in the prepared budget relative to the current year adopted budget.

### **Budget Process**

A cycle involving a series of recurrent and continuous planning steps to arrive at a viable financial plan.

### **Budgetary Control**

The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

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## **Capital Expenditures**

A budget category which budgets all equipment having a unit cost of more than \$250 and an estimated useful life of over one year. Capital outlay is budgeted in the operating budget.

## **Capital Improvement**

A permanent addition to the city's assets, including the design, construction, or purchase of land, buildings or facilities, or major renovations of same.

## **Capital Improvement Program**

A financial plan of proposed capital improvement projects with single and multiple year capital expenditures. The capital program plans for five years and is updated annually.

## **Capital Outlay**

Expenditures resulting in the acquisition of or addition to the government's general fixed assets.

## **Capital Projects**

Physical structural improvements generally with a cost of \$10,000 or more and a useful life of one year or more. Examples include a new park, building modifications and water main construction.

## **Capital Projects Fund**

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

## **Capitalization**

The classification of an expense as an asset because it benefits the agency for more than a year.

## **Debt Service**

Payments of principal and interest on bonds and other debt instruments according to a predetermined schedule.

## **Deficit**

An excess of expenditures or expenses over resources.

## **Encumbrances**

A legal obligation to pay funds, the expenditure of which has not yet occurred. They cease to be encumbrances when the obligations are paid or otherwise terminated.

## **Enterprise Funds**

This fund type is used to account for operations that are financed and operated in a manner similar to private sector enterprises and it is the intent of the City that the

costs of providing goods or services to the general public be financed or recovered primarily through user charges.

## **Expenditures**

The actual spending of funds set aside by an appropriation. Expenditures include current operating expense requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and shared revenues.

## **Federal**

United States Government

## **Fiscal Year**

A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. The City of Woodland's Fiscal Year begins July 1<sup>st</sup> and ends on June 30<sup>th</sup>.

## **Fringe Benefits**

Includes the City's expenses for all benefits and includes, Medicare, health, PERS, workers compensation, life insurance and vision.

## **Full Time Equivalent or FTE**

Full time, part time, temporary and to the extent possible, all position numbers in the budget document are expressed as full time equivalents or FTEs. This allows a uniform measure of staff time resources. A full time equivalent is calculated by using 2,080 hours as the total number of hours available one full time employee works in one year (including vacation, sick leaves, etc). The 2,080 hours is the base to determine the split of a position between programs and the FTE off part time and temporary employees.

## **Fund Balance**

Also known as financial position or fund equity, fund balance is the excess of current assets over current liabilities, and represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses. For Governmental Funds, and Trust and Agency Funds, the fund balance is generally cash or cash equivalents. For Enterprise Funds the fund balance is usually fund equity in the form of assets and cash and cash equivalents.

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## **General Fund**

The primary operating fund of the City, all revenues that are not allocated by law or contractual agreement to a specific fund are accounted for in the General Fund. With the exception of grant revenues or other sources restricted for specific uses, General fund resources can be utilized for any legitimate governmental purpose.

## **General Ledger**

A record containing the accounts needed to reflect the financial position and the results of operations of a government. In double-entry bookkeeping, the debits and credits in the general ledger are equal (i.e., the debit balances equal the credit balances).

## **Grant**

Contribution or gift of cash or other assets from another governmental entity to be used or expended for a specific purpose, activity or facility.

## **Interfund Transfers**

Monies moved from one fund to another. The money is transferred to finance the operations of another fund or to reimburse the fund for expenses.

## **Internal Service Fund**

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

## **Municipal Code**

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

## **Operating**

Maintaining the ongoing functions of an agency or service. "Operating expenses" include wages, benefits, supplies and services.

## **Operating Budget**

Plans of current expenditures and the proposed means of financing them. The annual operating budget (or, in the case of some state governments, the biennial operating budget) is the primary means by which most of the financing, acquisition, spending and service delivery activities of government are controlled. The use of an annual operating budget is usually required by law. Even when not required by law, however, annual operating budgets are essential to sound financial management and should be adopted by every government.

## **Operating Cost**

The total costs to operate and maintain the City of Woodland.

## **Operating Expense**

Monies paid in salaries and wages, settlement of claims, maintenance of equipment and buildings, and rentals of equipment and facilities.

## **Ordinance**

A formal legislative enactment by the City Council. It is the full force and effect of law within City boundaries unless pre-empted by a higher form of law. An ordinance has a higher legal standing than a resolution.

## **Overhead**

Those elements of cost necessary in the production of a good or service that are not directly traceable to the product or service. Usually these costs related to objects of expenditure that does not become an integral part of the finished product or service, such as rent, heat, light, supplies, management and supervision.

## **Principal**

In the context of bonds other than deep-discount debt, the face value or par value of a bond or issue of bonds payable on stated dates of maturity.

## **Program**

Group activities, operations or organizational units directed to attaining specific purposes or objectives.

## **Program Budget**

A budget wherein expenditures are based primarily on programs of work and secondarily on character and object class, on the one hand, and performance, on the other.

## **Reimbursement**

Payment of amount remitted on behalf of another party, department or fund.

## **Reserved Fund Balance**

Those portions of fund balance that are not appropriate for expenditure or that are legally segregated for a specific future use.

## **Resolution**

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

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### **Revenue**

Receipts derived from commercial sources and operating assistance from governments.

### **Salaries/Wages**

Includes salaries and wages, including terminal leave payments, for all employees including temporary and seasonal, in accordance with the classification compensation plan. Employees salaries may be spread to several activities to reflect the distribution of their time.

### **Special Revenue Fund**

A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

### **Subsidy**

Funds granted by federal, state or local government

### **Unsecured Property**

As the property tax is guaranteed by placing a lien on the real property, unsecured property is that real property in which the value of the lien is not sufficient to assure payment of the property tax.

### **User Fees**

The payment of a fee for direct receipt of a public service by benefiting from the service.

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# Fund Description

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## FUND/ACCOUNT DESCRIPTIONS

State Law and Generally Accepted Accounting Principles (GAAP) establish the financial structure for cities. Governments allocate and account for resources in separate sub-entities classified as funds and account groups, based on the purposes for which the resources are to be spent and the means by which spending activities are controlled.

### GENERAL FUND

The General Fund is the general operating fund of the City. It is the largest of all the funds and accounts for all financial resources traditionally associated with governments, such as Police, Fire, Streets, etc. It accounts for everything except those items that are specifically required to be accounted for in another fund.

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes or for which separate accounting is required by administrative action.

Examples of the City's Special Revenue Funds include: Community Development Block Grants (CDBG), Literacy Grants, Various Law Enforcement Grants, Lighting and Landscaping Assessments; Transportation Development and Gasoline Taxes, and the Cemetery Endowment Fund.

### ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

Where the intent of the governing body is that the costs (expense, including depreciation) of providing goods or 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.

The City maintains the following Enterprise Funds:

**Water Wells/Conservation:** service that provides residents with water service and the billing for service provided by the City.

**Sewage Collection/ Treatment:** service that provides collection and treatment of wastewater.

**Storm Drain Maintenance:** service that operates and maintains the storm sewer system.

**Wastewater Pre-Treatment:** ensures that the discharge from the WWTP meets the NPDES permit.

**Cemetery Maintenance** -- operations connected with the 150-year old City cemetery.

**Dubach Park Maintenance/Capital:** provides for the activities and maintenance of this softball recreation facility.

**Recycling:** - operates the City's solid waste reduction recycling programs.

**Construction and Demolition Recycling:** implements the City's C&D ordinance relating to construction sites.

**Fire Training:** provides training for internal as well as external Fire and emergency service personnel.

**Transit Services:** the administration of the transit system operations for Woodland.

### INTERNAL SERVICE FUND

Internal Service Funds are used to account for the financing of goods or other services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

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## Fund Description

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The City's Internal Service Funds are:

**Equipment Services and Replacement.**

Accounting for vehicle and special equipment maintenance and for replacement of City vehicles upon the expiration of their useful life.

**Employee Health Benefits.** To account for the provision of health, life, vision and dental services.

**Workers Comp/General Liability.** Accounting for general liability coverage and workers compensation.

**Information Services.** Accounting for the replacement of City computers upon expiration of their useful life. Provide funds to maintain existing computer equipment, networks and servers through service contracts.

### FIDUCIARY FUND TYPES

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These funds do not necessarily require budgets.

The City accounts for the following in the Trust and Agency Fund:

- Recreation Contracts
- Library Trust Fund
- Parks and Recreation Foundation