



**26.** Glossary

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The City of Hampton’s annual budget is structured to be easy to understand and meaningful to the general public and organizational users. This glossary is provided to assist those who are unfamiliar with budgeting terms or terms specific to Hampton’s budgeting process.

**- A -**

**Accounting System** - The total set of records and procedures which are used to record, classify and report information on the financial status of an entity or Fund.

**Accrual Accounting** - A basis of accounting in which revenues are recognized in the accounting period in which they are earned and expenditures are recognized in the period in which they are incurred.

**Actual** - Denotes factual revenue or expenditure totals for a given period, as opposed to “Budget” which denotes estimates for a given period.

**Adoption of Budget** - A formal action by the City Council which sets the spending appropriations and limits for the fiscal year.

**Allocation** - An amount set aside by an agency in an appropriation or fund account for the use of another agency in carrying out the purpose of an appropriation.

**Amended Budget** - The adopted budget after it has been changed through fund transfers, carryovers, or increases to revenue enacted throughout the fiscal year.

**Appropriation** - A legal expenditure authorization granted by the City Council to incur obligations for specific purchases. Appropriations are usually limited as to amount, purpose and time.

**Assessed Value** - A valuation set on real estate or other property by the City Assessor as a basis for levying property taxes.

**Assets** - Property and resources that have monetary value owed or held by government.

**Assigned Fund Balance** - A Fund Balance classification that consists of funds intended to be used by the City for a specific purpose that is neither restricted nor committed. The governing body itself or an official such as the City Manager has the authority to assign amounts to be used for specific purposes. Assigned Fund Balance does not require a resolution.

**Attrition** - A method of achieving a reduction in personnel by not filling the positions that have become vacant due to resignation, reassignment, transfer, retirement or means other than layoffs.

**Audit** - A comprehensive investigation of the manner in which the government’s resources were actually utilized. A financial audit is a review of accounting systems and financial information to determine how government funds were spent and if the expenditures were in compliance with the legislative body’s appropriations.

**Authorized Positions** - Employee positions authorized to be filled during the year.



## **-B-**

**Balanced Budget** - The City Code requirement for the budget document to have planned revenues equal planned expenditures.

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

**Bond Rating** - A level of risk assigned to a promissory note assessed by a rating agency. The higher the rating, the lower the risk.

**Bonded Debt** - The portion of indebtedness represented by outstanding bonds, including general obligation promissory notes, backed by the full faith and credit of the City and its taxing authority.

**Budget** - A document showing the City’s financial plan for revenues and expenditures for a given period of time.

**Budget Amendment** - A legal procedure utilized by the City staff and City Council to revise a budget appropriation.

**Budget Calendar** - A schedule of key dates or milestones in which the City management and City Council follow in the preparation, adoption, and administration of the budget.

**Budget Document** - The instrument used by the budget-making authority to present a comprehensive financial program to the City Council.

**Budget Message** - A message prepared by the City Manager explaining the proposed budget and the steps taken to achieve a balanced budget, strategies to achieve the City’s goals and highlighting the budget impacts and changes.

**Budget Process** - The series of steps involved in the planning, preparation, implementation and monitoring of the City’s Budget.

**Budget Review Committee** - A budget team established by the City Manager to assist with reconciling available resources, citizen or departmental expenditure requests and the needs and goals of the City during the budget preparation process.

**Budget Transfer** - The transfer of an authorized budget dollar amount from one account or Fund to another, after the adoption of the annual budget.

**Budgetary Basis** - This refers to the basis of accounting used to estimate the financing resources and uses in the budget. Generally tends to be the accrual, modified or cash basis.



## - C -

**Capital Assets** - An asset costing \$50,000 or more with a useful life of more than five years.

**Capital Budget** - A plan of proposed expenditures for infrastructure, buildings, parks, etc., and their funding sources. The first fiscal year of the five year capital improvement plan (CIP) is the basis for the capital budget.

**Capital Outlay** - Expenditures which result in the acquisition of, or addition to, fixed assets.

**Capital Improvement Plan (CIP)** - A plan for capital expenditures to be incurred each year over a period of five future years setting forth each capital project, identifying the expected beginning and ending date for each capital project, the amount to be expended in each year and the method of financing those expenditures.

**Capital Projects** - Typically, a capital project encompasses the purchase of land and/or the construction of a building or facility.

**Cash Basis** - A basis of accounting in which transactions are recognized only when cash is received or paid.

**City Council** - The legislative branch of the City composed of these elected officials: one Mayor, one Vice-Mayor and five Council members.

**Community Development Block Grant and HOME Fund** - Funds awarded to the City annually from the Department of Housing and Urban Development (HUD) which are used to supplement other resources in the implementation of the Healthy Neighborhoods Initiative.

**Comprehensive Annual Financial Report (CAFR)** - The complete annual financial report, prepared by an independent auditing firm, that provides detailed information on the City's financial position for a given period.

**Contingency** - An appropriation of reserved funds to cover unforeseen expenditures and emergencies.

**Council's Goals** - A statement of the purpose of Hampton City Government.

**Consumer Price Index** - A statistical measure of change, over time, in the prices of goods and services in major expense grounds such as food, housing, apparel, transportation, and health and recreation typically purchased by urban consumers. Measures the purchasing power of consumers' dollars by comparing what a sample "market basket" of goods and services costs today with what the same sample market basket cost at an earlier date.

**Contractual Services** - Services rendered to a government by private firms, individuals or other government agencies.



## **- D -**

**Debt** - Liability or obligation in the form of bonds, loan notes or mortgages owed to another person(s) or government and required to be paid by a specific date.

**Debt Limit** - The maximum amount of debt that a government is allowed to incur.

**Debt Service** - The City's payment of principal and interest related to all long-term debt according to a pre-determined payment schedule.

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

**Department** - A major administrative division of the City that has overall management responsibility for an operation or a group of related operations within a functional area.

**Depreciation** - Expiration in the service life of capital assets, attributable to wear and tear, deterioration, action of the physical elements.

## **- E -**

**Economic Development Fund** - Capital funds derived primarily from land sales and rents, established for public improvement projects or purchases and acquisition of land in support of economic development efforts.

**Effectiveness** - An assessment of the degree in which predefined goals and objectives are met within a specific timeframe.

**Efficiency** - The extent to which input (salaries, overhead, etc.) is minimized for a given level of output (programs/services), or outputs are maximized for a given level of inputs.

**Employee Benefits** - Contributions made by the City to designated funds to meet commitments or obligations for employee fringe benefits. Included are the City's share of the cost of social security and the various pensions, medical and life insurance plans.

**Encumbrances** - The commitment of appropriated funds to purchase now or in the future an item or service.

**Enterprise Fund** - A Fund whose income is derived from user fees charged to the general public. Examples of Enterprise Fund departments in the City are the Coliseum, the golf courses, the Hampton Roads Convention Center and Steam Plant. These departments operate in a manner similar to private businesses.

**Equity** - The excess of assets over liabilities generally referred to as fund balance.



**Expenditures** - An outflow of resources that results in a decrease in a Fund's net assets. Expenditures, used with governmental-type Funds, are categorized as current expenditures, debt service, capital outlays and other financing uses. Expenditures are recognized in the accounting period in which the Fund liability occurred, if measurable. There is an exception for unmatured interest on general long-term debt and on special assessment indebtedness secured by interest - bearing special assessment levies, which should be recognized when due.

**Expense** - Cost of goods or services.

## **- F -**

**Fees** - A charge imposed on the beneficiary or recipient of a service provided by the City. Its purpose is to help recover some or all of the costs incurred by the City in providing the service.

**Fiscal Year** - The twelve month period of the budgetary year. The fiscal year for the City of Hampton's budget begins on July 1st and ends on June 30th of the following year.

**Fixed Assets** - Assets of long-term nature intended to continue to be held or used. Examples include buildings, land, machinery, furniture and other equipment.

**Fixed Costs** - Costs that do not change from month to month. Examples are vehicle replacement, fuel, and vehicle maintenance.

**Fringe Benefits** - Contributions made by a government to meet obligations for employee benefits such as health insurance, pension plans, FICA, etc.

**Fund** - An independent group of accountings that are self-balancing by recording its related assets, liabilities, fund balances/retained earnings along with revenues and expenditures.

**Fund Balance** - The excess amount of revenues and other financing sources over the expenditures and other uses. Usually refers to the General Fund.

**Fund Type** - In governmental accounting, there are three broad types of funds with specific funds within each. They are: 1) Governmental: General, Special Revenue, Debt Service, Capital Projects; 2) Proprietary: Enterprise, Internal Service; and 3) Fiduciary: Expendable Trust, Non-Expendable Trust, Agency.

## **- G -**

**General Fund** - The General Fund finances the regular day-to-day operations of the City. It accounts for all revenues and expenditures which are not accounted for in special purpose Funds. This Fund's revenue sources are taxes and fees generated at the local level, such as real estate, personal property, utility taxes, etc.



**General Obligation Bonds** - Long-term obligations backed by the “full faith and credit” pledge of the City’s General Fund revenues.

**Generally Accepted Accounting Principles (GAAP)** - The standard rules and procedures set to account for the receipt and expenditure of funds.

**Goals** - An intended accomplishment based on critical issues identified both by the City management and the City Council.

**Government Finance Officers Association (GFOA)** - GFOA is a professional association of public officials whose main goals are to identify and develop state/local government financial and budgeting policies and practices for the public’s benefits. Annually, the City applies for the distinguished GFOA awards for the Certificate of Achievement in Financial Reporting (for CAFR) and the Distinguished Budget Presentation Award (for the budget document).

**Governmental Accounting Standards Board (GASB)** - A body that established accounting principles for both state and local governments.

**Grant** – A contribution of assets by one governmental unit or other type of organization to another. Typically, these contributions are made to local governments from the state and federal governments. Grants are usually made for specified purposes.

## **-H-**

**Hampton Comprehensive Plan** - This document is an update of the 1998 Strategic Plan and the 2010 Comprehensive Plan adopted by City Council in 1989 to provide a foundation for other City policy, planning and budgeting initiatives.

## **-I-**

**Indirect Costs** - A cost necessary for the funding of the government as a whole but which cannot be directly assigned to one service or program area.

**Infrastructure** - The structural underlying framework for physical assets such as streets, bridges and buildings.

**Intergovernmental Revenues** - Revenues received from another government entity, such as the state or federal government.

**Internal Service Fund** - A proprietary Fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis. While accounted for on a similar basis as a private business, the Internal Service Fund is comprised of Risk Management, Fleet Management, Fleet Equipment Replacement and Information Technology departments.





## - L -

**Line Item Budget** - A budget that lists each expense category separately along with the dollar amount budgeted for each specified category.

## - M -

**Mission Statement** - A broad, high-level statement of purpose for a department/division. A mission statement defines the department's fundamental purpose, where there is a close relationship between the description of services provide by the divisions, and the planned outcomes.

**Modified Accrual Basis** - The accrual basis of accounting under which expenditures, other than accrued interest on general long-term debt, are recorded at the time liabilities are incurred and revenues are recorded when received in cash; unless, they are "measurable" and "available" to finance governmental operations or are of a material amount and were not received at the normal time of receipt.

## - N -

**Nonspendable Fund Balance** - A fund balance classification which includes items where the cash will not be realized until the next year such as inventory, long-term receivable or a fund that is legally or contractually required to be maintained intact such as a permanent fund.

## - O -

**Operating Budget** - A plan of financial operations embodying an estimate of proposed expenditures for the fiscal year and the proposed means of financing them (revenue estimates).

**Operating Transfers** - All legally authorized appropriation transfers between funds (interfund) and within funds (intrafund) other than residual equity transfers (Fund Balance) to the appropriate expenditure item.

**Ordinance** - An ordinance becomes the local law of the City of Hampton if adopted by the City Council. If the ordinance deals with matters of a general and permanent nature, it is considered a "coded ordinance" and included in the Hampton City Code. Non-coded ordinances deal with matters of a special nature.

## - P -

**Performance Indicators** - Quantitative and qualitative statistical information used to assess the success of a department in achieving their goals and objectives.





**Permanent Full-Time (PFT)** - A staffing level measurement whereas, one PFT is equal to one full-time position for an entire year.

**Personal Services** - Items of expenditures in the operating budget for salaries and wages paid for services performed by City employees as well as the fringe benefit costs associated with City of Hampton employees.

**Projected** - An estimation of revenues or expenditures based on past trends, current economic conditions and future financial forecasts.

**Property Tax** - A tax levied on the assessed value of real, public utility and personal property.

## **-R-**

**Recommended Budget** - Each year, the City Manager submits a formal budget to City Council based on his or her recommendations and Council has the option to adopt as is or to modify and adopt.

**Reserve** - A portion of Fund Balance that is restricted for a special purpose.

**Resolution** - A resolution is a method of expressing the opinion or policy of the City Council about matters of administration. Resolutions are less formal than ordinances.

**Resources** - Total combined amount of beginning funds on hand and estimated revenues available for appropriation.

**Restricted Fund Balance** - A fund balance classification where the constraints placed on these funds are either externally imposed by creditors, grantors, laws or regulations of other governments or they are imposed by law through constitutional provisions or enabling legislation.

**Revenue** - The term designates an increase in 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 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.

**Risk Management** - The coordinated and continuous effort to minimize the potential financial and human resource loss arising from worker's compensation, liability and property exposures.

## **-S-**

**School Operating Fund** - A special revenue Fund used to account for the revenues and expenditures of the Hampton City School System.



**Special Revenue Fund** - Revenues in this Fund are restricted for a specific purpose. Examples of special revenue funds are the CDBG Fund and the Economic Development Fund.

**Strategic Plan** - With broad direction provided by the Community Plan, this plan outlines the most effective ways for achieving its goals throughout different strategies, programs and action plans.

## - T -

**Transfer To** - This term refers to the transfer of financial resources out of one Fund to another Fund. Typically, these transfers are from the General Fund to other Funds.

## - U -

**Unassigned Fund Balance** - (formerly Undesignated Fund Balance) is the amount of Fund Balance in the General Fund which cannot be classified as non-spendable, restricted, committed or assigned. It represents the excess of a Fund's assets and estimated revenue for a period over its liabilities - restricted, committed, assigned, non-spendable and available appropriations for the period.

**Undesignated Fund Balance** - See definition for *Unassigned Fund Balance*.

**Useful Life** - The length of time that a depreciable asset is expected to be useful.

## - V -

**Variance** - Compares the budget with the actual. The effort in government is to stay within budget and to avoid unfavorable variances, that is, where the actual collection or expense is out of line with the budget.

**Virginia Retirement System (VRS)** - An agent and cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Virginia and offered to Virginia's public sector employees.

## - Y -

**Year-End** - The term is used in reference to the end of the fiscal year, for the City of Hampton, June 30<sup>th</sup>.

**Year-to-date** - For the period that starts the beginning of the fiscal year July 1<sup>st</sup> for the City of Hampton to the current date.