

The glossary below provides a brief description of some of the budgeting terms which may be used in the upcoming budget hearings.

Accounting System - the total set of records that are used to record, classify, and report information on the financial status and operation of an entity.

Adopted Budget - a budget that has been approved by the City Council.

Allocation - the distribution of available moneys, personnel and equipment among various City functions.

Amortization - the reduction of an account through regular payments over a specific period of time.

Annual Budget - an estimate of expenditures for specific purposes during the fiscal year and the proposed means (estimated revenues) for financing those activities.

Appropriation - an authorization made by the city council that permits staff to incur obligations and to make expenditures of governmental resources.

Assessed Value - a valuation set upon real and personal property by the City Assessor as a basis for levying property taxes.

Audit - a study of the City's accounting system to ensure that financial records are accurate and in compliance with all legal requirements for the handling of public funds, including state law, city ordinance and administrative policy.

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

Budget (Operating) - see "Operating Budget."

Budget Calendar - the schedule of key dates or milestones that a government follows in the preparation and adoption of the budget.

Budget Message - a general discussion of the submitted budget presented in writing by the Mayor of Warwick as part of the budget document.

Capital Improvements Budget (CIB) - a one-year plan of capital expenditures and the means of financing them. The capital budget is enacted as part of the annual budget. The capital improvements budget (CIB) is based upon the Capital Improvements Program (CIP).

Capital Improvements Program (CIP) - a plan for capital expenditures to be incurred each year over a fixed period of years describing each project, its duration, and its cost.

Capital Object Codes - The “Buildings,” “Structures,” and “Equipment” object codes are used to show expenditures related to the one-year capital improvements budget. These items are of a permanent and tangible nature with a cost of \$5,000 or more.

Cash Flow Budget - a projection of the cash receipts and disbursements anticipated during a given period.

CDBG - Community Development Block Grant; these grants are federal moneys, typically used for the construction or rehabilitation of housing.

Debt Service - the actual cost of interest and principal on bond maturities as well as the interest costs of warrants.

Deficit - (1) the excess of an entity’s liabilities over its assets; (2) the excess of expenditures over revenues during a single accounting period (e.g., a fiscal year).

Department - an organizational and/or budgetary unit established by the City Council to carry out specified public services and implement policy directives. Public Works, Fire, and Water are examples of City departments.

Disbursements - funds that are actually expended over the course of a fiscal year.

Division - an organizational and/or budgetary unit within a department (e.g. the MIS division of the Finance Department).

Encumbrance - an obligation in the form of a purchase order, contract or salary commitment that is chargeable to an appropriation, and for which part of an appropriation is reserved. These obligations become disbursements upon payment.

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 the enterprise fund is that the full cost of providing goods or services be financed primarily through charges and fees specific to the good or services, and not with general tax revenues. Enterprise funds should stand

alone. The City's enterprise funds are Water and Sewer.

Expenditure - an amount of money, cash or checks actually paid or obligated for payment from the treasury.

Fiscal Year - typically, a twelve month period for which an organization plans the use of its resources. For the City of Warwick, the fiscal year is July 1 through June 30.

Fund - a set of interrelated accounts which record assets and liabilities related to a specific purpose. Also, a sum of money available for a specified purpose.

Fund Balance - the excess of a fund's assets over its liabilities.

General Fund - a multipurpose fund financed typically with general tax revenues and receipts from other City funds. The General Fund provides the financing for general government operations like police, fire, library, and general administration.

Grant - a contribution of assets by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the state and federal governments. Grant moneys are usually dedicated for specific purposes.

Liability - debt or other legal obligation arising out of transactions in the past which must be liquidated, renewed or refunded at some future date.

"Maximum Levy" - The maximum increase a municipality may levy in property taxes is five and one-half percent (5.5%) as defined in Rhode Island General Laws (RIGL) Section [44-5-2](#).

Materials and Services - expenditures which are not related to personnel, transfers, debt service or capital. These are a fund's "discretionary" accounts and include items like supplies, consulting services, publications, training, and repairs.

Modified Accrual - basis of accounting for all governmental funds and agency funds under which revenues are recorded when they become measurable and available. Expenditures are recorded when the liability is incurred, except for interest on general long-term obligations, which are recorded when due.

Non-Personal Expenditure - any expenditure not related to the cost of personnel (salary, fringes or insurances).

Line item - a unique identification number and title for a class of expenditures; the most detailed level of budgeting and recording expenditures; also know as an "object code".

Operating Budget - authorized expenditures for on-going municipal services (e.g. police, street maintenance, etc.) ; a plan of financial operation embodying an estimate of proposed expenditures for a given period of time and the proposed means of financing them.

Ordinance - a law set forth by a governmental authority; a municipal law established by the City Council.

Per Capita Cost - cost expressed as an amount per city resident; the quotient of cost divided by population.

Personal Services - expenditures that are directly related to personnel, such as salaries, overtime, fringe benefits (health benefits) and payroll insurances (FICA, workers' compensation, etc.)

Policy - a definite course of action adopted by the City Council after a review of information and directed at the realization of goals.

Purchase Order - an authorization and incidence of debt for the delivery of specific goods or services.

Recommended Budget - a draft annual budget that has been prepared pursuant to state law and city ordinance by the Mayor and is presented to the City Council for consideration and approval.

Reimbursement - a fee received as payment for the provision of specific municipal services.

Reserves - that portion of a fund's equity which is earmarked by policy directive for a specific future purpose (such as a particular capital project), but which may be subsequently appropriated for a different purpose if directed by the City Council.

Restricted Reserves - that portion of a fund's equity which is legally restricted for a specific purpose and is not available for appropriation. Restricted reserves often appear in enterprise funds and are pledged against outstanding revenue bond issues.

Revenue - additions to the City's financial assets, such as tax and grant receipts, which do not in and of themselves increase the City's liabilities or cancel a previous expenditure.

Small Capital Items - items of a permanent and tangible nature which have a value of \$250 to \$4,999. Capital items in excess of \$5,000 are considered to be part of the Capital Improvement Budget (CIB).

Target-Based Budgeting - a budgeting philosophy built on the foundations of (1)

council-established goals and priorities; and (2) realistic revenue projections. Based upon these inputs, the Mayor establishes expenditure ceilings, “targets,” for each department/fund.

Warrant - a short-term debt financing mechanism used to fund a particular expenditure or set of expenditures in anticipation of a bond issue. Warrants are typically provided by local banks.