Glossary of Budget Terms

Ad Valorem Tax
A property tax levied according to assessed value.

Annual Budget
A budget covering a single fiscal year (July 1 - June 30).

Appropriation
The amount budgeted on a yearly basis to cover projected expenditures that have been legally authorized by the Board of Commissioners.

Assessed Valuation
The value of real estate or personal property as determined by tax assessors and used as a basis for levying taxes.

Assessment
The process for determining values of real and personal property for taxation purposes.

Budget
A plan covering a fiscal year with projected expenditures for providing services and revenues to finance them. The Town's adopted budget is the official expenditure policy of the Board of Commissioners and an effective tool for managing Town operations. The budget is the legal instrument by which Town funds are appropriated for specific purposes and by which Town government positions are authorized. North Carolina General Statutes require the budget to be balanced.

Budget Document
A formal document presented to the Board of Commissioners containing the Town's financial plan for a fiscal year. The budget document is divided into three major parts; the budget message, an operating budget, and a capital improvement budget. The operating budget and capital improvement budget sections contain summaries of expenditures and revenues

along with program and project descriptions. The budget document is presented in two phases, preliminary and final, the latter of which reflects the budget as adopted by the Board of Commissioners.

Budget Message
A written overview of the proposed budget from the Town Manager to the Mayor and Board of Commissioners which discusses the major budget items and the Town's present and future financial condition.

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

CY
Calendar Year

Capital Outlay
Expenditures resulting in the acquisition of or addition to the Town's general fixed assets costing more than $5,000 and having a useful life of greater than five years.

Capital Improvement Plan
A long-range plan of proposed capital improvement projects, which includes estimated project costs and funding sources that the Town expects to carry out over a five-year period. The program is updated annually to reassess capital needs and for the preparation of the capital budget.

Contingency
An appropriation of funds to cover unanticipated events that may occur during the fiscal year. Transfers from this line item must be approved by the Board of Commissioners.

Glossary of Budget Terms

Deficit
An excess of expenditures over revenues or expense over income.

Due from Other Funds
An asset (receivable) account used to indicate amounts to be received from another fund for goods sold or services rendered.

Due to Other Funds
A liability (payable) account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered.

Encumbrances
A financial commitment for services, contracts, or goods which have not, as of yet, been performed or delivered.

Enterprise Fund
A fund with operation accounts financed from user charges and whose operation resembles a business. The Water Fund is an example of an enterprise fund.

Expenditures
Outflows of net financial resources. They include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements, and shared revenues.

FY
Fiscal Year

Glossary of Budget Terms

Fiscal Year
A twelve-month period (July 1 through June 30) to which the annual operating budget applies and at the end of which an assessment is made of the Town's financial condition and performance of its operation. (FY08 represents July 1, 2007 through June 30, 2008)

Franchise Tax
A tax levied on the gross sales of Public Utilities. Such taxes were assessed by the state as a function of permitting the respective utilities to do business in the State of North Carolina. Such taxes are shared between the state and its municipalities according to the respective ratio of gross sales within those jurisdictions.

Fund
An accounting entity created to record the financial activity for a selected financial grouping. A fund is set up to carry out a special function or attain certain objectives in accordance with set laws and regulations (i.e. General Fund).

Fund Balance
The difference between fund assets and fund liabilities of the governmental unit.

General Fund
A fund which provides for the accounting of all financial resources except those designated to other funds. Most of the basic government services, such as police, fire, sanitation, or street maintenance are accounted for in this fund.

General Government
A category of expenditures which includes the departments who provide legislative, administrative, policy development, and other central services for the Town.

Glossary of Budget Terms

Grants
A contribution or gift in cash or other assets from another government to be used for a specific purpose. For example, a grant from the State of North Carolina could be used for the construction of a major highway.

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

Intangibles Tax
The tax on money, stock and bond values according to a formula or taxation established by state statute and in lieu of any other "property tax" that may be considered on these values.

Interest and Penalties on Taxes
Interest and penalties on ad valorem taxes.

Interfund Accounts
Accounts that reflect transfers between funds (i.e. annual allocation from Water Fund to General Fund).

Intergovernmental Revenues
Revenues from other governments (state, federal, or local) which can be in the form of grants, shared revenues, or entitlements.

Lease-Purchase Agreements
A method of purchasing equipment in which payments are spread out over a three or five year period.

Glossary of Budget Terms

Levy
The amount of tax, service charges, and assessments imposed by a government.

Nonoperating Expenses
Expenses not directly related to the provision of services, such as debt service.

Nonoperating Revenues
Revenues generated from other sources (i.e. interest income) and are not directly related to service activities.

Operations and Maintenance
Those costs, other than personnel services and capital outlay, which are necessary to support the day-to-day operation of the Town. This includes items such as telephone charges, utilities, office supplies, advertising, travel, and printing.

Personnel Services
Expenditures for salaries and fringe benefits including merit increases, social security, retirement, health insurance, life insurance, 401(k), and other employee benefits.

Powell Bill Funds
Funding from state-shared gasoline tax restricted for use on maintenance of local streets and roads.

Privilege License
This tax is imposed on the privilege of carrying on a business or engaging in certain occupations, trades, employment, or activities within Town limits.

Program Budget

Glossary of Budget Terms

A plan whereby expenditures are budgeted by programs of work and grouped into specific service areas.

Program Goal
A specific statement which defines the focal point(s) that a department will strive to attain for the fiscal year.

Program Objective(s)
Steps outlined defining accomplishments to be achieved by a department during the fiscal year.

Public Safety
Category of expenditures which includes the departments whose primary purpose is to protect the lives and property of both the Town's citizens and people who visit and work within the Town.

Public Works
A category of expenditures which includes the departments who maintain the Town's buildings, streets, vehicles, water distribution, and provide solid waste collection.

Reserve
An account designated for a portion of the fund balance that is to be used for a specific purpose.

Revenue
Inflows of financial resources that increase the fund balance account. Expenditure refunds, inter-fund transfers, and debt proceeds are not considered revenues.

Special Assessment
A levy on certain properties to defray part or all of the costs associated with improvements or services that benefit those properties. For instance, a special assessment would be levied against property owners who have petitioned for the

construction of sidewalks along a particular street or improvements to an existing street. (i.e. Villa Dunes Drive improvements).

Tax Rate
The amount of tax stated in terms of a unit of the tax base (i.e. $.1475 per $100 valuation).