
State of Colorado
Financial Management Manual
A Guide for Colorado Local Governments

Glossary of Financial and Budget Terms

The following are financial and budget definitions that supplement those found within the *Uniform Classification of Accounts* located in Appendix E.

Abatement and Refunds - A complete or partial cancellation of a levy.

Accrual Basis - A basis of accounting in which revenues are recognized in the accounting period in which they are earned and become measurable; expenses should be recognized in the period incurred, if measurable.

Ad Valorem - A tax imposed at a rate or percentage of the value of a particular good.

Appropriation - A budgetary account which represents the total authorized expenditures for a current fiscal period.

Auditor Rotation - Policy that a government periodically change the independent auditor of its financial statements.

Blended Presentation - The method of reporting the financial data of a component unit that presents the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government.

Budget - A financial plan which estimates proposed expenditures for a given period and the proposed methods of financing them.

Capital Assets - Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital Budget - A plan of proposed capital outlays and the means of financing them for the current fiscal period.

Cash Basis - A basis of accounting in which revenues are recorded when received in cash and expenditures (or expenses) are recorded when cash is disbursed.

Component Unit - A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, 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.

Discrete Presentation - Method of reporting financial data of component units in a column or columns separate from the financial data of the primary government.

Encumbrances - Commitments related to unperformed (executory) contracts for goods or services.

Encumbrance Basis - A budgetary accounting system based on encumbrances. Commitments are encumbered before actual expenditure, thus maintaining control over expenditures and reducing the opportunity to over-expend on appropriations.

Escrow - A deed, bond, money, or a piece of property delivered to a third person to be delivered by him/her to the grantee only upon the fulfillment of a condition.

Excise Taxes - Selective sales taxes that are levied on specific transactions. They are levied separately from general sales taxes.

Expenditures - Decrease in net financial resources other than through interfund transfers.

Expenses - Outflows of assets or incurrences of liabilities from delivering or producing goods or rendering services.

Fiscal Accountability - The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term.

Fund - A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain

objectives in accordance with special regulations, restrictions, or limitations.

Fund Balance - The difference between assets and liabilities reported in a governmental fund. Fund balance is divided into reserved and unreserved portions. See Appendix E: *Uniform Classification of Accounts* for more information.

Fund Classifications - One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

Fund Type - One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary funds types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Government-Wide Financial Statements - Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. Both basic government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Infrastructure - Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Long-Term Budget - A budget prepared for a period longer than a fiscal year. Long-term budgets concerned with capital outlay and capital improvement programs are referred to as capital budgets.

Long-Term Debt - Debt with a maturity date of more than one year after the date of issuance.

Major Fund - A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The general fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government officials believe that fund is particularly important to financial statement users.

Management's Discussion and Analysis - A component of required supplementary information used to introduce the basic financial statements and provide an analytical overview of the government's financial activities.

Mill - A rate of tax; results in one dollar of revenue for every one thousand dollars of assessed valuation.

Modified Accrual Basis - A basis of accounting in which revenues should be recognized in the accounting period in which they become measurable and available. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable.

Net Assets - The difference between assets and liabilities accounts. See Appendix E: *Uniform Classification of Accounts* for more information.

Other Financing Source - An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends.

Other Financing Use - A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends.

Operational Accountability - Government's responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future.

Ordinance - A formal legislative enactment by the governing body of a municipality. If it is not in conflict with any higher form of law, it has the full force and effect of law within the boundaries of the municipality.

Program Budget - A budget format wherein inputs of resources and outcomes of services are identified by programs without regard to the number of organizational units involved in performing various aspects of the program.

Program Revenue - Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

Related Party Transaction - A transaction that an informed observer might reasonably believe reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction.

Resolution - A special or temporary order of a legislative body requiring less legal formality than an ordinance or statute; used by governing boards of counties and special districts as a means for taking formal action.

Short-Term Debt - Debt with a maturity of one year or less after the date of issuance.

Special Assessment - A levy made against certain properties to defray all or part of the cost of a specific capital improvement deemed to benefit primarily those properties.

Tax Roll - The official list showing the amount of special assessments levied against each property presumed to be benefited by an improvement or service.

Title 32, Article 1 Special District - Special districts created in Title 32, Article 1 of the Colorado Revised Statutes to provide one or more municipal-type services. This includes water and/or sanitation, fire protection, hospitals, recreation, mosquito control, safety protection, street improvements, transportation, emergency medical services, or television relay and translation.