

## Glossary

**ACCRUAL BASIS:** regardless of the timing of the related cash flows, this is an accounting method recognizing the financial effect of transactions, events, and interfund activities upon occurrence.

**AMORTIZATION:** the process of periodically transferring the acquisition cost of an intangible asset to an expense account.

**APPROPRIATION:** to incur obligations for specific purposes, an expenditure authorization granted by the City Council. Appropriations are usually limited to an amount, purpose and time.

**ASSET:** property owned by the City of Portsmouth.

**AUDIT:** the review of financial statements to assess their fairness and adherence to generally accepted accounting principles.

**BALANCED BUDGET:** A government's budget is balanced when revenues equal expenditures. City Code requires that City Council adopt a balanced budget for each ensuing budget year.

**BEHAVIORAL HEALTHCARE SERVICES FUND:** a special revenue fund used to account for the operations of the Behavioral Healthcare Services Program. Received revenues pay for client service administrative functions and contracts.

**BONDS:** a general obligation bond is a common type of municipal bond that is secured by a local government's pledge to use legally available resources, including tax revenues, to repay bond holders.

**BUDGET:** a financial plan for a specified period of time (i.e., fiscal year) matching all planned revenues and expenditures with various municipal services. The City of Portsmouth prepares an Annual Operating Budget and a Capital Improvement Program (CIP) Budget.

**CAPITAL:** a financial investment creating equity.

**CAPITAL IMPROVEMENT PROGRAM (CIP):** a capital projects fund, accounted for in the Capital Improvements Fund, scheduling the financing and construction of major municipal facilities, roads, schools, buildings, and water and sewer lines, as well as ongoing infrastructure maintenance. This program is linked directly to City Council policies, plans, and goals.

**CAPITAL OUTLAY:** the purchase or construction of a capital asset. This is essentially the exchange of one asset for another. It also represents an asset exchange that can be spent (cash) for an asset that cannot be spent resulting in a net decrease in current financial resources for governmental fund types.

**CAPITAL PROJECTS FUND:** a fund to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**CEMETERY FUND:** a permanent fund used to account for the sale of cemetery lots, perpetual care payments, donations, and legacies for the care of cemetery lots.

**CHARGES FOR SERVICES:** City fees charged to government services users such as recreation fees, court costs, judicial costs, public safety costs, public work costs, community development costs, and library fines.

**CHART OF ACCOUNTS:** an account list used by the City of Portsmouth to record its financial transactions.

## Glossary

**CITY GARAGE FUND:** an internal service fund used to account for the City's general rolling equipment and operating costs distributed amongst the various departments and funds using the equipment.

**COMMUNITY DEVELOPMENT FUND:** pursuant to the provisions of the 1974 Housing and Community Development Act, including CDBG, HOME, and ESG, a capital projects fund used to account for the implementation of various capital project programs.

**COMPONENT UNIT:** a legally separate organization in which the primary government's elected officials are financially accountable. In addition, component units can be other organizations when excluded from the primary government causes the reporting entity's financial statements to be misleading or incomplete.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** a financial report encompassing all funds and governmental component units. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements, and (c) individual fund statements as needed. The CAFR should also contain introductory information, schedules to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

**COMPREHENSIVE SERVICES FUND:** a special revenue fund used to account for At Risk Youth operational programs.

**CONTINGENCY:** funds included in the budget for the purpose of providing a means to supplement minor fiscal year unexpected costs.

**CONTRACTUAL SERVICES:** outside source services acquired on a fee or fixed time contract basis.

**DEBT SERVICE:** principal and interest payments for City debt incurred in acquiring capital outlay or constructing municipal facilities.

**DEPARTMENT:** a major City administrative division having overall management responsibility for an operation or a group of related operations within a functional area.

**DEPRECIATION:** allocation of the cost of a long-term asset to operations during its expected useful life.

**DIRECT COST:** costs specifically associated with a service, product, or department and are clearly identifiable with a particular function.

**DONATIONS FUND:** a contribution account made by the public for various specified activities such as museums and art center activities.

**ENCUMBRANCES:** commitments related to unperformed contracts for goods or services.

**ENTERPRISE FUND:** proprietary fund used to report activities where fees are charged to external users for goods or services. Includes the Public Utilities Fund, Golf Fund, Waste Management Fund, Port Facility and Economic Development Fund.

**ENTITY:** anything having its own separate identity such as a town.

**EQUITY:** the City's financial interest in its operations.

**ESTIMATED REVENUES:** the amount of revenue estimated to be accrued during the fiscal year.

## Glossary

**EXPENDITURES:** a decrease in net financial resources under the current financial resource measurement model.

**FICA:** see *Social Security Tax*.

**FINES AND FORFEITURES:** revenues generated for violations of local government ordinances. Examples include fines remitted to the City by the courts for violation of City ordinances, or fines collected by the City Treasurer for violations of City parking regulations.

**FISCAL YEAR:** the twelve-month period of the budgetary year. The fiscal year for the City begins on July 1st and ends the following June 30th.

**FRINGE BENEFITS:** job-related benefits provided for employees as part of their total compensation such as disability income, employee allowances, employer's FICA portion, retirement, and insurance (health, life, and dental).

**FUND:** a fiscal and accounting entity with self-balancing accounts recording cash and other financial resources together with all related liabilities and residual equities or balances and changes therein 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.

**GENERAL FUND:** one of five governmental fund types typically serving as the government's chief operating fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**GENERAL PROPERTY TAXES:** taxes on real and personal properties, both tangible and intangible. They include current real property, public service corp. real property, delinquent real property, current personal property, public service corp. personal property, boat personal property, delinquent personal property, machine and tool taxes, penalties, interest, and other charges, interest (no penalties), and current/delinquent PPTRA -state.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP):** accounting standards developed and applied by professional accountants.

**GOLF FUND:** an enterprise fund used to account for the operations of the City's golf courses. This operation includes Bide-a-Wee, the Links at City Park, Sleepy Hole, and Suffolk golf courses.

**GOVERNMENTAL FUND TYPES:** used to account for tax-supported activities. Includes the General Fund, Special Revenue Funds, Capital Project Funds and Permanent Funds.

**GRANT:** an endowment provided by a governmental unit or other type organization. It aids or supports a particular governmental function or program.

**GRANTS FUND:** a special revenue fund used to account for Federal, State and other grants.

**HEALTH INSURANCE FUND:** an internal service fund providing the necessary money to pay employee and retiree health insurance claims and for future claim fund accumulation.

**INDIRECT COST:** costs not specifically associated with a given service, program, or department; consequently they cannot be clearly associated with a particular functional category.

## Glossary

**INFORMATION TECHNOLOGY FUND:** an internal service fund used to account for the City's general computer and office automation equipment, and operating costs are allocated to the various departments and other agencies using the equipment.

**INTANGIBLE ASSETS:** assets that lack a physical substance, such as goodwill, patents, copyrights, and computer software.

**INTEREST:** the fee charged for the use of money.

**INTERFUND TRANSFERS:** an asset flow between primary government funds excluding equivalent asset flows in return or remuneration.

**INTERGOVERNMENTAL REVENUES:** revenues from the state, federal government, and other governmental sources.

**INTERNAL SERVICE FUND:** a proprietary fund type reporting activities where goods or services are provided to other primary government funds, departments, or agencies and its component units or to other governments on a cost-reimbursement basis. Includes the City Garage Fund, Health Insurance Fund, Information Technology Fund, School Board Risk Management and Insurance Fund, School Reprographics Fund, and Risk Management and Insurance Fund.

**INVESTMENT INCOME:** interest earned.

**LAW LIBRARY FUND:** a special revenue fund used to account for the Public Law Library operations, maintenance, and book purchases.

**LIABILITIES:** the City's debts or obligations.

**LONG-TERM LIABILITY:** City debts due more than a year in the future.

**MEDICARE TAX:** a tax levied on City employees and the City to provide medical care for the employee and the employee's spouse after each has reached age 65.

**MISSION:** a broad and purposeful function statement about an agency's goals and objectives.

**MODIFIED ACCRUAL BASIS:** a basis of accounting in which (a) when revenues become available and measurable, they are recognized in the accounting period and (b) when a fund liability is incurred, expenditures, if measurable, are recognized in the accounting period. This excludes immature general long-term debt interest, and similar accrued obligations recognized when due.

**NET ASSETS:** the difference between assets and liabilities reported in entity-wide financial statements and proprietary fund financial statements.

**ORDINANCE:** a formal legislative statute or regulation adopted by the City Council having full force and effect of law within the City boundaries.

**OTHER FINANCING SOURCE:** to avoid distorting revenues trends, an increase in current financial resources reported separately from revenues. The use of this category is governed by GAAP. Examples would include bond proceeds, transfers, and payments in lieu of taxes.

**OTHER FINANCING USES:** to avoid distorting expenditure trends, a decrease in current financial resources reported separately from expenditures. The use of this category is governed by GAAP.

## Glossary

**OTHER LOCAL TAXES:** established within the State Code, a tax the Commonwealth allows localities to use. Examples are the sales tax, business licenses, local vehicle registration fees, cigarette taxes, etc.

**PARKING AUTHORITY:** a component unit used to account for resources to operate and maintain off-street parking facilities and parking meters.

**PENSION TRUST FUND:** a fiduciary fund type used to account for resources held in trust for members and beneficiaries of a defined benefit pension plan.

**PERFORMANCE MEASUREMENTS:** commonly used term for service effort and accomplishment reporting.

**PERMANENT FUND:** a fiduciary fund type used to report resources legally restricted to earnings alone, and not principal. The fund may be used for purposes supporting the reporting government's programs.

**PERSONAL PROPERTY TAX RELIEF ACT (PPTRA):** state paid portion of personal property taxes.

**PORT FACILITIES AND ECONOMIC DEVELOPMENT FUND:** an enterprise fund used to account for the Universal Maritime operations marine terminal and Virginia Port Authority's lease-purchase of land.

**PRINCIPAL:** the amount shown on the face of a note.

**PRIVATE SECTOR:** the business sector.

**PROPRIETARY FUND TYPES:** funds focusing upon the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two proprietary fund types: enterprise funds and internal service funds.

**PUBLIC SECTOR:** the government sector.

**PUBLIC SERVICE CORPORATION:** publicly owned corporations such as water and sewer.

**PUBLIC UTILITY FUND:** an enterprise fund used to account for the operation of the City's water and sewer system. Through user charges, this operation is designed to be self-supporting.

**REAL PROPERTY:** assets such as land, land improvements, buildings, and other structures attached to the land.

**REALIZATION PRINCIPLE:** the concept that revenue occurs when goods or services, merchandise, or other assets are exchanged for cash or claims to cash.

**RECOVERED COSTS:** reimbursed costs.

**RETAIL BUSINESS:** a business that sells directly to individual consumers.

**RISK MANAGEMENT AND INSURANCE FUND:** an internal service fund providing the necessary moneys to defend and pay self-insured public liability claims and claims arising from the operation of the City government. It establishes funding for insurance policy deductibles and accumulates funds for unpaid claims.

**SALVAGE VALUE:** an estimate of the amount that could be received by selling or disposing of an asset at the end of its useful life.

## Glossary

**SCHOOL BOARD RISK MANAGEMENT AND INSURANCE FUND:** an internal service fund providing necessary moneys to defend and pay self-insured public liability claims and claims arising from the operation of the Portsmouth Public School System. It establishes funding for insurance policy deductibles and accumulates funds for unpaid claims.

**SCHOOL FOOD SERVICES FUND:** within the public school system, a special revenue fund used to budget and record cafeteria operational financial transactions.

**SCHOOL OPERATING FUND:** governmental fund used to account for the Portsmouth Public School System's revenues and expenditures.

**SCHOOL REPROGRAPHICS FUND:** an internal service fund used to account for the Portsmouth City Public Schools Printing Center operations.

**SERVICE BUSINESS:** a business that sells services.

**SOCIAL SECURITY TAX (FICA):** a tax imposed and collected on employee earnings to provide retirement and disability benefits.

**SOCIAL SERVICES FUND:** a special revenue fund used to record the Department of Social Service's administrative financial transactions pertaining to public assistance distribution.

**SPECIAL REVENUE FUND:** a governmental fund type used to account for the proceeds of specific revenue sources legally restricted to specific purpose expenditures. These funds, used to finance designated programs, include the School Cafeteria Fund, School Grants Fund, Virginia Public Assistance Fund, Behavioral HealthCare Fund, Law Library Fund, Willett Hall Fund, Donations Fund, Stormwater Management Fund, Comprehensive Services Act Fund and Grants Fund.

**STORMWATER MANAGEMENT FUND:** a special revenue fund used to account for Environmental Protection Agency abidance and plan implementation. This plan can include monitoring and sampling activities, system construction to capture and treat stormwater runoff, street pollution reduction programs, and stormwater maintenance system.

**TANGIBLE PERSONAL PROPERTY:** assets such as machinery, equipment, furniture, and fixtures that can be removed and used elsewhere.

**USE OF PROPERTY REVENUES:** revenues received for the use of City property.

**WASTE MANAGEMENT FUND:** an enterprise fund used to account for residential and commercial solid waste collection and disposal, large bulk refuse disposal, and debris removal from City streets.

**WHOLESALE BUSINESS:** a business that manufactures or distributes goods to retail businesses or large consumers such as hotels and hospitals.