CITY OF JOPLIN, MISSOURI

COUNCIL FINANCE & BUDGET ORIENTATION

APRIL 1, 2018

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CONTRAST BETWEEN PUBLIC AND PRIVATE SECTOR BUDGETING

Governmental budgeting is necessarily different from private sector budgeting. Primarily this is because the focus of governmental budgeting is to provide services that facilitate the economic health and promote the overall best interests of the community. Alternatively, in the private sector, the primary focus is to facilitate the economic health of stockholders/owners by maximizing profits. The following table further illustrates these differences:

Governmental Budgeting	Private Sector Budgeting
Planned activities facilitate the economic health of other businesses and promote the community.	Planned activities facilitate the economic health of stockholders/owners.
Decisions are based on demands of competing interest groups with the goal of balancing the various interests and priorities of the community.	Decisions are based on formulas computed by professionals on output projections.
Financial controls are imposed to prevent mismanagement, excessive borrowing, high taxes, and overspending.	Financial controls are exerted by market conditions. The market regulates supply, demand and price.

BUDGETING PROCESS

The budget cycle is made up of seven main stages as depicted in the following table:

Phases of the Budget Cycle	End Product of Each Phase
Preparation of Requests	Estimate of Needs
Public Hearing on Property Tax Rate	Property Tax Levy
Letter of Transmittal and approved requests	Proposed Budget
Legislative Adoption	Appropriations
Implementation	Encumbrance and Disbursement of Funds
Budget Adjustments	Adjusted Budget
Summary of Transactions	Comprehensive Annual Financial Report

BUDGETING PROCESS – CONTINUED -

Preparation of Requests begins with the Finance Department giving instructions to departments. The departments then prepare requests and return them to the Finance Department. These packets are sent out at the beginning of May with return due four to six weeks later. Following receipt of the departmental requests, the City Manager and the Finance Department review the requests, meet with the departments, make cuts, ask for modifications, or do whatever is necessary to prepare a proposal that balances available revenues with expenditures for the following fiscal year. The City Manager and the Finance Department then prepare an **Estimate of Needs** summarizing the anticipated budget levels for the next fiscal year.

Public Hearing on Property Tax Rate is held no later than sixty days prior to the end of the fiscal year (October 31). The tax rate is based on the most recent property valuations in the city limits of Joplin in Jasper and Newton counties. This sets the **Tax Levy** for the Joplin Public Library District, Parks and Recreation, Health and Welfare, and Solid Waste Management.

The Letter of Transmittal is prepared by the City Manager for the City Council. This document is a summary of the **Proposed Budget** and also includes information of interest to Council that may not be included in the Proposed Budget but should be considered for the Adopted Budget. The Public Hearing for the Proposed Budget is held no later than 45 days prior to the end of the fiscal year.

Legislative Adoption occurs after the Council has reviewed and revised the budget proposal in a series of workshops open to the public. The Council approves the budget by passing an **appropriation** ordinance prior to the end of the fiscal year, which sets the legal spending limits for each department and agency for the forthcoming fiscal year.

Implementation of the new budget commences at the beginning of the new fiscal year. Funds will be **encumbered** based on the appropriations in the new budget and **disbursed** by the Finance Department.

Budget Adjustments will be presented to Council during the year for transactions not included in the adopted budget. These are usually for grants, which could not be predicted during the budget process. However, other unexpected revenues or expenses can also occur during the year and must be approved by the Council prior to appropriations being made by the departments. The adopted budget plus these adjustments make up the **Adjusted Budget.**

A Summary of Transactions is prepared at the end of the fiscal year by the Finance Department, which compares each department's appropriation with actual expenditures. This becomes part of the **Comprehensive Annual Financial Report (CAFR).** An independent auditor then reviews the financial report and compares it with a sample of financial transactions, in order to certify that the report fairly presents the fiscal condition of the City.

REVENUE ANALYSIS AND FORECASTING

The first step in budget preparation is estimating the amount of revenue available for the budget year. Although it is a temptation to underestimate revenues to provide a safety margin, there are major problems with underestimating revenues. Routine underestimates of revenue yields create a general mistrust of the Finance Department, cause unnecessary reductions in departmental staffing and delay capital purchases. The best strategy is accuracy; the goal of revenue forecasting is to be within 1 to 2 percent of actual receipts. This goal is not always attainable, of course, but methods for projecting revenues should be defensible to ensure the most accurate estimates possible. The following revenue forecasting methods are recommended for local government by the International City/County Management Association (ICMA):

Formula Based—mathematical formulas

If reasonably valid statistics are available, revenue can be projected by means of simple mathematical formulas. For instance, property tax revenue is determined by multiplying the property tax rate by the assessed value of all taxable property.

Quantitative Revenue Forecasting—statistical models

Statistical models produce estimates of future revenue yield with the aid of statistical techniques such as regression analysis and trend analysis. For revenue sources that are not directly responsive to economic growth, trend analysis provides a useful and accurate estimate. For instance, if revenue from regulatory licenses has been increasing at a steady rate of 2 percent a year, the best estimate for how much they will grow next year is probably 2 percent. For revenues that are affected by economic factors, such as sales tax, regression analysis is generally effective.

Informed Judgment—professional judgment

Regardless of other methodologies used, professional judgment is essential to preparing defensible estimates. Even the most elaborate statistical projections must be combined with careful attention paid to independent factors such as legislative changes, utility rate changes, authorization of new revenue sources and changes in formulas for the distribution of intergovernmental (grants) revenue.

EXPENDITURE APPROPRIATIONS

Since the early part of the twentieth century, a series of reforms have influenced both the budget process and the presentation of information in the budget. One of the reforms, the line-item budget, was created to hold down departmental expenditures. Line-item budgeting has evolved to provide highly aggregated functional categories such as personnel services, operational supplies, other purchases and services, capital expenditures, and other financing uses. This is the type of budget utilized for the City of Joplin along with most municipalities.

Personnel

Salaries are budgeted by the Finance Department. The employee database is downloaded into the budgeting module where it is prepared for the proposed budget document. This is where the FTEs (full-time equivalents) are compared to the approved level of staffing. Any vacant positions are budgeted, step increases and inflation adjustments are added, and any FTEs that are proposed by the City Manager are budgeted.

Operational Supplies & Other Purchases & Services

The departments prepare this section. Any line-item increases must be justified by Directors and approved by the City Manager and the Finance Department. Additionally, Directors are requested to carefully analyze their budgets and encouraged to make cuts in non-essential supplies or services.

Capital Expenditures

An equipment replacement schedule is used as a guide for most replacement capital expenditures. Other capital needs are based on departmental requests and infrastructure improvements as defined by Council.

TRANSFERS

Transfers are basically the movement of money from one internal fund to another. Nearly all of the transfers are based on a formula or an agreement. Support subsidies, such as the Health Department and Parks Department, are based on the funding level needed to support approved appropriations. Interfund transfers should balance (revenue should equal expense). For the City of Joplin, the transfers will be out of balance by the amount of the Library subsidy, since the City does not approve the Library budget, by the Emergency Communications Assessment, and by the TIF Transfer as explained below.

- **Overhead Transfers**: Each department within the City is charged an overhead allocation based on departmental expenditures and number of employees for services provided by general administration to other departments. This allocation is an expense to the department and revenue to the General Fund.

- **Library Subsidy:** The Library receives a subsidy from the General Fund in lieu of discontinued personal property taxes in 1983. The subsidy is based on a calculation that compares the increase in general sales tax with the increase in total general fund revenues, exclusive of transfers. The City entered an agreement with the library to gradually decrease this subsidy over time to zero.

- **Operating Subsidies from General Fund:** The City provides operating subsidies to the Parks Department and the Health Department based on operating and capital needs determined by the Council each year.

- **Operating Subsidies from Transportation Sales Tax:** The Transportation Sales Tax proceeds are deposited into this fund and transferred to the Infrastructure Fund, the Airport Fund, and the Community Development Fund based on identified projects.

- **Emergency Communications Transfer:** Although funds are transferred from the Police and Fire Departments to the Emergency Communications Department, this is not a true transfer and is not reported as one in the financial reports. Instead, it is a payment for services provided by the Emergency Communications Department to the Police and Fire Departments. Additionally, other City departments utilize the radios on the radio system. These departments pay for the radios through a transfer to the Emergency Communications Department.

- **TIF Transfer:** There are three TIF Districts located within the city limits of Joplin. Within those three districts, fifty percent (50%) of the incremental increase in sales taxes collected must be remitted to the developer as set forth in the TIF agreements. While these funds are transferred from each fund that collects sales tax to the TIF Commission Fund, the payments are treated as a reduction of sales taxes collected in the financial reports.

FUND BUDGETING

Virtually all governments in the United States are required to use fund accounting. Each fund is a self-balancing set of financial statements. Unlike the private sector, separate rules apply to the funds regarding what money goes into a fund and how it can be spent. For budget purposes, all funds are typically depicted with a fund balance; however, for financial reporting purposes, proprietary fund balances are reported as net assets.

The fund balance is basically the accumulated earnings of each fund. The amount of the fund balance can be restricted by mandatory requirements or by designated amounts. Mandatory requirements are legally imposed minimum balances. Designated requirements are imposed at the local level. For instance, while all funds should have a reasonable balance to allow for unforeseen emergencies, some funds are allowed to build up for future projects. Designating a portion of the fund balance for the intended project protects these future goals.

The following table lists mandatory minimum fund balances of the City of Joplin.

NAME OF FUND	TYPE	MANDATORY MINIMUM FUND BALANCE RESTRICTIONS
General	Governmental	25% of the operating expenses of the general fund excluding capital
Sanitary Sewer	Enterprise	Bond covenant requirements - debt service & replacement needs
Health Self-Insurance	Internal Service	Goal is one year of claims
Workers Comp Self-Insurance	Internal Service	Goal is one year of claims
Liability & Property Self-Insurance	Internal Service	Goal is one year of claims

SOURCES AND USES OF FUNDS

FUND	SOURCES OF FUNDS	USES OF FUNDS
Governmental Funds		
General	General Sales Tax, Franchise Tax, Cigarette Tax, Licenses & Permits, Fines, Cemetery Fees, Engineering Fees, Interest Income, Federal & State Grants, Overhead Charges (Transfers)	City Administration, Public Safety, Legal Services, Municipal Court, Public Works Administration, Facility Maintenance, Neighborhood Improvement, Engineering, Cemetery Operations, Emergency Management
Special Revenue Funds		
CVB	Hotel/Motel Tax	Convention & tourism promotion
Health & Welfare	Property Tax, Federal & State Grants, General Fund Subsidy	Health Administration, Environmental Health, Medical Services, W.I.C. Health Programs, Animal Control, Public Health Preparedness
Parks & Recreation	Property Tax, Program & User Fees, Federal & State Grants, General Fund Subsidy	Parks Administration, Parks & Public Grounds, Swimming Pools, Recreation Programs, Museum & Stadium Facilities, Memorial Hall, Senior Citizen Center
Transportation Sales Tax	Transportation Sales Tax, State Vehicle Tax, State Gasoline Tax, User Fees, Federal & State Grants, Paratransit Fees	Street Maintenance, Street Cleaning, Traffic Control, Public Transportation Programs
Community Development	Zoning User Fees, Sign Permit Fees, Federal & State Grants	Community Development Projects, Planning & Zoning
Economic Development	Interest- Economic Development Loans	Economic Development Projects
Solid Waste Management	Property Tax, Trash Fees, Federal & State Grants	Recycling & Solid Waste Management, City-Wide Clean-Up Programs, Leaf Pickup Program
Parks/Stormwater Sales Tax	Parks/Stormwater Sales Tax	Parks Improvements & Stormwater Improvements
Capital Improvement Sales Tax	Capital Improvement Sales Tax	Capital Improvement Projects

SOURCES AND USES OF FUNDS

FUND	SOURCES OF FUNDS	USES OF FUNDS
Capital Projects Funds		
Infrastructure	Transportation Sales Tax, Federal & State Grants	Infrastructure Improvements
Revolving Public Improvements	Special Tax Assessments	Public Improvements (Paid by Owner & City)
Enterprise Funds		
Airport	Airport Fees, Transportation Sales Tax Subsidy, Federal & State Grants	Municipal Airport Operations & Improvements
Golf Course	Golf Course Fees, Merchandise & Concession Sales	Schifferdecker Golf Course Operations & Maintenance
Sanitary Sewer	Wastewater Fees, Federal & State Grants	Wastewater Treatment, Sewer Maintenance & Improvements, Bond Debt Service
Internal Service Funds		
Central Garage	Charges to Other Departments	Central Garage Operations
Health Self-Insurance	Premium Costs for employer and employee	Health Insurance
Workers Comp Self-Insurance	Departmental charges based as a percentage of payroll as set by job code percentages	Workers Compensation
Liability & Property Self-Insurance	Departmental charges	Liability & Property Insurance
Emergency Communications	False Alarm Response Fees, Police & Fire Assessments, Departmental Assessments	Emergency Services
Component Unit Funds		
Joplin Sports Authority	Sports Entry Fees, Concession & Merchandise Sales, Ticket Commission, CVB Subsidy (Hotel/Motel Tax)	Sports Activities
Joplin Public Library	Property Tax, Library Fees & Fines, Donations, City Transfer	Library Operations & Maintenance
Joplin TIF Commission	Incremental Sales Tax, Property Tax, Franchise Tax in TIF Districts	Repayment of TIF developer costs

TYPES OF FUNDS

Governmental

The General Fund is used to account for all ordinary operations of a governmental unit that are financed from taxes and other general revenues. This fund is the main operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in a different fund. The basis of accounting is modified accrual.

Special Revenue

Special Revenue Funds are used to account for revenues from specific taxes or other earmarked revenue sources that by law are designated to finance particular functions or activities of government. The basis of accounting is modified accrual.

Capital Projects

Governmental funds established to account for resources used for the acquisition of large capital improvements other than those accounted for in proprietary or trust funds. The basis of accounting is modified accrual.

Proprietary

Proprietary Funds are business-type funds that are generally self-supporting either by outside fees or internal charges. The basis of accounting is accrual. The two types of proprietary funds are:

- **Enterprise Funds**: Funds used to account for government-owned services supported primarily by service charges or user fees.

- **Internal Service Funds**: Funds that account for the goods and services provided by one department to another within government on a cost-reimbursement basis.

Fiduciary

Funds that account for resources that governments hold in trust for individuals or other governments in a trust capacity. (Example: Policemen's and Firemen's Pension and Trust Funds.)

Component Units

Component units are separate governmental units. They can be either governmental or proprietary and therefore can use either the full accrual or the modified accrual basis of accounting. The City of Joplin has three component units—the Joplin Sports Authority, the Joplin Public Library and the Joplin TIF Commission.

MAJOR REVENUE SOURCES

Missouri municipalities have four sales taxes available for different municipal purposes: General Revenue, Capital Improvements, Transportation, and Parks & Stormwater. A majority of the voters must approve each of these taxes prior to their imposition. The Missouri statutes also dictate the rate at which these taxes may be imposed and the use of funds generated from their imposition. All the following sales taxes are to be applied to the receipts from the sale at retail of all tangible personal property or taxable services within any city adopting such a tax, as defined in Chapter 144 RSMo. Sales taxes in effect for the City of Joplin include:

General Sales Tax

One percent general sales tax on all tangible personal property sold at retail within the City of Joplin with those exemptions outlined in 144.010 through 144.510 RSMo. Statutory authority for this tax is 94.500 RSMo. Instituted by the City of Joplin in 1971, budgeted general sales tax represents 42% of the total general fund revenue of the City in FY 2018. Revenue generated by the general sales tax is allocated to the General Fund and can be used for any municipal purpose approved by Council.

One-half percent general sales tax on all tangible personal property sold at retail within the City of Joplin with those exemptions outlined in 144.010 through 144.510 RSMo. Statutory authority for this tax is 94.500. Voters approved this one-half percent sales tax increase for public safety purposes effective April 1, 2007. It does not have a sunset date. This general sales tax generated 18% of the total budgeted general fund revenue of the City in FY 2018.

Transportation Sales Tax

One-half percent transportation sales tax on the same goods as outlined above. Statutory authority for this tax begins in 94.700 RSMo, which gives cities the taxing authority of up to one-half percent. Instituted in 1983 by the City of Joplin, transportation sales tax must be accounted for in a separate fund and is restricted to "transportation purposes"; which is defined as a mass transportation system, construction, reconstruction, repair and maintenance of streets, bridges and airports, and land acquisition and rights-of-way for these purposes. The City uses this resource for all of the above.

Parks & Stormwater Sales Tax

Sections 644.032—644.033 RSMo detail the parks & stormwater sales tax. The tax may be used for stormwater control, parks or both, provided the particular use of the tax is included in the ballot language. The tax may not exceed one-half percent. Voters approved a one-fourth percent sales tax increase for Parks & Stormwater effective April 1, 2002 and renewed this tax on August 2, 2011. This tax will sunset on March 31, 2022.

Capital Improvement Sales Tax

Section 94.577 RSMo details the capital improvement sales tax. The tax may be used for capital improvements. Voters approved a three-eighths percent sales tax effective January 1, 2005 and renewed this tax on August 5, 2014. This tax will sunset on January 1, 2025.

Available Sales Taxes Not Adopted by the City of Joplin

- **Local Use Tax**: The local use tax was imposed in 1992 to protect local merchants from local businesses purchasing outside the state to evade sales tax. Lawmakers treated the use tax as a form of state sales tax on goods purchased outside the state to be stored, used, or consumed within the state. The tax was targeted at large companies who might purchase 500 trailer rigs or 200 computers from an out-of-state vendor; therefore, a $2,000 exemption was enacted to protect individuals who occasionally shop from catalogs. The state imposed 1.5% across the board and reimbursed based on a pro rata share of the municipality's local sales tax distributions.

  In 1996, the Missouri Supreme Court ruled that the local use tax was unconstitutional if the local use tax exceeded the local sales tax. Localities with a tax rate of less than 1.5% were required to refund an amount to be determined by the Missouri Department of Revenue. The City of Joplin, whose rate was 1%, refunded $1,388,928 to the State in 1998.

  Subsequent legislation permitted the local use tax at the same rate as the local sales tax by a majority vote of its governing body. Under this new legislation, a city receives only the amount of tax imposed by it and collected from local residents and businesses purchasing more than $2,000 annually from out-of-state vendors. The authority to impose the tax must be granted to the governing body by a vote of the people.

Property Taxes

The tax levy for the 2018 fiscal year beginning November 1, 2017 is $0.4339 per $100 of assessed valuation. Of this levy, $0.2545 is for the Library; $0.0598 is for Health and Welfare; $0.0598 is for Parks and Recreation; and $0.0598 is for Solid Waste Management. The City's property tax is levied each November 1 on the assessed value of real estate listed as of the prior January 1, the lien date, and is due on or before December 31. Assessed values are established by Jasper and Newton Counties.

Cigarette Taxes

Cigarette tax is levied at $2.00 per 1,000 cigarettes under 19.103 of the City Code. Any change in the rate would require a vote of the people.

Utility Franchise Taxes

This tax is actually a tax on utilities, which is assessed under 19.41 through 19.49 of the City Code and authorized under the Home Rule Charter Section 12.01. Currently, the rate is 6% of the gross receipts for all utilities except cable, with a limitation of $80 per customer per month ($100 per month for water utilities). The cable utility franchise is 5% of the gross receipts.

Hotel/Motel License Taxes

The motel occupation license tax is assessed upon hotel/motel operators and is based on the room charge revenues collected. Currently, the rate as specified by 19.141 of the City Code is 4 percent. The rate was increased from 2 percent to 4 percent by a vote of the people effective January 1, 2001. The revenues from this tax are dedicated for promotion of conventions and tourism, festival support, entryway beautification and sports marketing.

Licenses and Permits

The City currently collects business license fees from contractors, restaurateurs, and merchants under the powers granted in the charter and Section 19 of the City Code.

The City issues various kinds of permits to builders for residential and commercial construction and improvements. These permits are required to protect the owner from faulty design, workmanship, materials, etc., and are therefore "regulatory" in nature.

Fines and Forfeitures

The various fines for municipal code violations are set by the Municipal Judge and are limited to $500. The majority of fines and forfeitures are attributed to municipal court fines.

User Charges

User charges include inspection fees, cemetery fees, golf fees, recreation fees, airport fees, wastewater fees, transportation fares and admissions. Article X, Section 22 of the State Constitution (The Hancock Amendment) prohibits the increase of these charges without a vote of the people. However, under the Hancock Amendment, the City may increase these fees not to exceed the actual cost of the service provided.

TAXING AUTHORITY

TYPE OF TAX	AUTHORIZED CEILING	CURRENT RATE	REVENUE FISCAL YEAR 2018 (BUDGETED)
Sales Tax (Any like tax can't exceed 2%)			
General	1.00% (Each Authorization)	1.50%	$20,550,000
Transportation	0.50%	0.50%	$ 6,850,000
Parks & Stormwater	0.50%	0.25%	$ 3,425,000
Capital Improvements	0.50%	0.375%	$ 5,137,500
Cigarette Tax	$2.00 per 1,000	$2.00 per 1,000	$ 235,000
Property Tax			
Health & Welfare	Total of .40 between Health, Parks, & Solid Waste	.0598	$ 439,700
Parks & Recreation	See Above	.0598	$ 439,700
Solid Waste Mgmt	See Above	.0598	$ 439,700
General	$1.00	.00	None
Franchise Tax			
Electrical	6.00%	6.00%	$ 3,280,000
Natural Gas	6.00%	6.00%	$ 850,000
Water	6.00%	6.00%	$ 1,000,000
Telephone	6.00%	6.00%	$ 800,000
Cable	5.00%	5.00%	$ 280,000
Hotel/Motel Tax	5%	4%	$ 1,350,000

GLOSSARY

Accrual Basis – the basis of accounting under which revenues are recorded when earned and expenditures (or expenses) are recorded as soon as they result in liabilities for benefits received, notwithstanding that the receipt of cash or the payment of cash may take place, in whole or in part, in another accounting period.

Accrued Expense – expenses incurred during the current accounting period but not payable until a subsequent accounting period.

Accrued Revenue – revenue earned during the current accounting period but not to be collected until a subsequent accounting period.

Ad Valorem – in proportion to value. A basis for levy of taxes on property.

Amortization – gradual reduction, redemption, or liquidation of the balance of an account according to a specified schedule of times and amounts.

Appropriation – an authorization granted by a legislative body and limited in amount and to the time when it may be expended.

Asset – an economic resource that is expected to benefit future operations.

Bonds– a written promise to pay a specified sum of money, called the face value or principal amount, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. There are several different kinds of bonds, which include the following:

- **General Obligation Bonds** – Used to benefit the community as a whole. The debt is secured by an unlimited tax levy of the City (i.e., property tax). The full faith and credit of the City guarantees the payments. The debt does not require a debt service reserve fund or the services of a trustee. Voter approval is required in order to authorize the issuance.

Bonds – continued -

- **Revenue Bonds** - Used to finance facilities that have an identifiable revenue repayment stream. The debt is secured by a specific source of funds, either from operations of the project or from a dedicated revenue stream (dedicated tax or a user fee). Voter approval is usually necessary. A debt service reserve fund and a trustee are required. Interest rates are somewhat higher than general obligation bonds. This is the most common financing source for enterprise improvements.

- **Certificates of Participation** – Used for equipment purchases or facility expansions through a lease-purchase agreement. General revenues through annual appropriations of the City pay the lease payments. Voter approval is not required. Interest rates are higher than revenue bonds but lower than consumer debt financing because of the City's tax-exempt status.

- **Special Assessment or Special Improvement District Bonds** – Used to finance improvements that benefit a specific area. Repayment is from a tax or fee assessed against property owners or users within the district. Voter approval is usually not required. Interest rates are higher due to a limited revenue source and higher risk of default.

- **Tax Increment Financing (TIF) Bonds** – Used to promote economic development within a given area. Debt payment is derived from economic growth resulting in an increase in tax revenues. Since these are risky during periods of economic downturn, interest rates are higher than other municipal bonds.

- **Bond Discount** – the excess of the face value of a bond over the price for which it is acquired or sold. (Bond is sold for less than the face value.)

- **Bond Premium** – the excess of the price at which a bond is acquired or sold over its face value. (Bond is sold for more than the face value.)

- **Bonded Debt** – that portion of indebtedness represented by outstanding bonds.

GLOSSARY

Capital Outlay – expenditures that result in the acquisition of or addition to fixed or capital assets.

Debt Limit – the maximum amount of gross or net debt that is legally permitted.

Debt Margin – the difference between the amount of the debt limit and the net amount of outstanding indebtedness subject to the limitation.

Debt Service Fund – a fund established to finance and account for the payment of interest and principal on all tax-supported debt, including that payable from special assessments.

Deferred Revenue – items that may not be recognized as revenues of the period in which received because they are not "available" until a subsequent period.

Delinquent Taxes – taxes remaining unpaid on and after the date on which a penalty for nonpayment is attached.

Encumbrance – used to record the estimated amount of purchase orders or contracts.

Expenditures – expenditures are recorded when liabilities are incurred pursuant to authority given in an appropriation. This term designates the cost of goods delivered or services rendered, whether paid or unpaid, including expenses. (Encumbrances are not expenditures.)

Fiscal Year (FY) – a 12-month period of time to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of its operations. (City of Joplin's FY is November 1 through October 31.)

GLOSSARY

Fixed Assets – assets of a long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture, and other equipment.

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 portion of fund equity available for appropriation (accumulated earnings).

Fund Equity – the excess of fund assets over fund liabilities.

GASB (Governmental Accounting Standards Board) – Sets the standards for financial reporting for State and Local governments.

Grant – a contribution by one governmental unit to another unit (intergovernmental revenue). The contribution is usually made to aid in the support of a specified function.

Infrastructure – Long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. (Example: roads, bridges, water and sewer systems, etc.)

Interfund Transfers – amounts transferred from one fund to another.

Leasehold – the right to the use of real estate by virtue of a lease, usually for a specified term of years, for which a consideration is paid.

GLOSSARY

Levy – the total amount of taxes, special assessments, or service charges imposed by a governmental unit.

Liabilities – an amount owed or an obligation to perform a service to creditors, employees, government bodies, or others (a debt).

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

Modified Accrual Basis – under the modified accrual basis of accounting, revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred pursuant to appropriation authority.

Net Assets – the difference between the assets and liabilities. Net assets are an important measure of the City's overall financial health. The increases and decreases in net assets can be monitored to determine whether the City's financial position is improving or deteriorating.

Ordinance – a formal legislative enactment by the council or governing body of a municipality.

Pay-As-You-Go-Basis – a term used to describe the financial policy of a governmental unit that finances capital outlays from current revenues and fund balance reserves rather than by issuing debt.

Pay-As-You-Use-Basis – a term used to describe the financial policy of a governmental unit that finances capital outlays from debt instruments (bonds) rather than from current revenues and fund balance reserves.