

Appendices

Budget Basis and Appropriation Rules

Annual Appropriation Ordinance

A single appropriation ordinance, known as the Annual Appropriation Ordinance or Long Bill, is enacted by City Council not later than the fourth Monday of November. This ordinance makes appropriations and authorizes expenditures for the ensuing fiscal year.

Basis of Budgeting

The City's accounts are organized on the basis of fund and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses.

Governmental Funds (General Fund, Special Revenue, Debt Service, and Capital Projects Funds), use the modified accrual basis of budgeting and accounting. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the liabilities are incurred.

Proprietary Funds (Enterprise and Internal Service Funds) are budgeted on a modified accrual basis which does not include depreciation or compensated absences. Each fund's financial statements, which are included in the budget document, are reported on a full accrual basis. In the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period in which they occur. This is consistent with the Comprehensive Annual Financial Report.

Changes to the Adopted Budget

Budget Increases

Funds are expected to confine spending to amounts appropriated during the budget process. In certain cases, however, appropriations may be increased during the budget year in the following circumstances:

- Carryover Encumbrances—If a department has open purchase orders or contractual obligations at year-end, the encumbrances are closed and reestablished in the ensuing year's budget, and the appropriation may be increased if needed to cover the actual expense when it occurs.
- Unanticipated Revenue—If a fund receives revenue during the year from a source that was not anticipated or projected in the budget, such as a grant or a bond issue, such revenue may be appropriated by Council for expenditure in the year received.
- Reserves—In cases where a fund's reserves are greater than required by policies, Council may appropriate amounts from reserves to fund supplemental requests which were not included in the adopted budget.

Budget Decreases

When financial circumstances dictate, budgets may be decreased during the year to levels below adopted appropriations. Such decreases are accomplished by Council ordinances, to rescind a portion of an appropriation or administratively, to restrict use of an appropriation.

Level of Control and Budget Transfers

Control of expenditures is exercised at the budget level. Fund and agency managers are responsible for all expenditures made against appropriations within their fund or agency appropriation.

Budget Basis and Appropriation Rules

There are two general types of budget transfers:

- Within Fund

Intra-appropriation transfers are transfers between line items within an appropriation and require approval of the Budget Director.

Inter-appropriation transfers are transfers between appropriation levels within a fund and require approval of the Mayor, and Council approval by ordinance.

- Between Funds—This type of transfer requires approval of the Mayor and Council approval by ordinance.

Lapsing of Appropriations

Any appropriations which are unspent at the end of the year lapse into fund balance, where they cannot be spent unless appropriated by Council, with the following exceptions:

- Capital Projects—Appropriations for capital projects do not lapse until the project is completed and closed out.
- Special Revenue Funds—Appropriations funded by federal or state grant or other special sources do not lapse until the funding expires or the project for which the funds were received is completed and closed out.

Description of Major Expenditure Categories

Expenditure budgets are divided into categories of expenditures. Each category is assigned a code in the City's financial management information system. The major categories are:

<u>Code</u>	<u>Category</u>	<u>Description</u>
500000	Personnel Services	Salaries and fringe benefits for all unlimited (permanent) and limited (temporary and on-call) employees and individual contracts.
600000	Services and Charges	Purchase of professional and technical services (contract), utilities, repair and maintenance services, travel, printing and other services and charges.
700000	Supplies and Materials	Purchase of supplies and materials including office supplies, building materials, health supplies, food, automotive parts, and certain controlled assets.

The 600000 and 700000 categories are grouped into one total, named "Services and Supplies."

800000	Capital Equipment	Purchase of fixed assets costing \$5,000 or more.
900000	Internal Services	Charges for services or materials from one City agency to another. Payments are made through an internal billing transfer.

Glossary of Terms

Accrual Basis	The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows. This is opposed to the cash basis of accounting under which transactions are recognized only when the cash changes hands.
Agency	A department, division, section, bureau, commission, board or other organizational unit established by law as a part of the City.
Annual Appropriating Ordinance	An ordinance passed by City Council making appropriations to various agencies. The appropriations contained in the ordinance must match the budget as amended and adopted by City Council. The annual appropriating ordinance is approved concurrently with the tax levy ordinances necessary to support the adopted budget.
Appropriated Funds	All funds except debt service funds and except special revenue funds whose authorized expenditures are based upon cash or grants received.
Appropriation	An authorization, by ordinance, to a specified agency, program, project, or transfer fund to incur obligations and to expend from public money or anticipated public money. An appropriation is a specified sum of money from a specified fund, or, if not specified, the General Fund, for a specific purpose.
Assets	Resources owned or held by a government that have monetary value.
Balance Sheet	See Statement of Net Assets.
Balanced Budget	As defined by Denver City Charter, “The budget...shall not propose expenditures in excess of estimated opening balances and anticipated income; however, in estimating, the Mayor may reduce the anticipated income from property taxes by an amount for uncollectible taxes. In the General Fund the budget estimates for the ensuing year shall include an amount as a year-end closing balance which amount shall not be expended except for emergencies approved by a two-thirds vote of Council, within the fiscal year to which the proposed budget applies but may be considered as income available for expenditures in preparation of the proposed budget for the following year.”
Bond	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, together with periodic interest at a specified rate.
Budget	A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.
Budget Calendar	The schedule for completion of the various phases in the preparation of the budget; the calendar begins with the issuance of the budget forms and ends with filing the allotments with the Auditor.

Glossary of Terms

Budget Document	A document prepared by the Mayor which must include but is not limited to: a general statement describing the important features of the budget; statements by funds showing estimates of expenditures, receipts, opening and closing balances compared with the previous and current fiscal years; statements of expenditures and work programs of the various agencies; the amount to be raised by taxation to pay interest on general obligation bonded indebtedness, and to provide for the debt service fund; and the amounts to be expended for capital improvement projects and the sources of revenue for financing such projects. City Council adopts the Budget by motion; however, Council may revise or alter the Budget prior to adoption by a two-thirds vote.
Budget Savings	A portion of an agency's budget set aside and unavailable for expenditure. These savings represent budget reductions imposed as a result of revenue shortfalls.
Capital Budget	A plan of proposed expenditures that results in the acquisition of or addition to fixed assets, and the means for financing these expenditures.
Capital Equipment	<p><u>Major</u> – Equipment that has a useful life of more than one year and a unit cost of at least \$50,000.</p> <p><u>Minor</u> – Nonrecurring items having a useful life of more than one year and a unit price of less than \$50,000 but at least \$500.</p>
Capital Project Funds	Funds used for the acquisition and maintenance of major capital assets other than those financed through special assessment or enterprise funds.
Certificate of Participation (COP)	<p>A form of financing which allows the purchase of an asset over time and requires City Council approval (but not voter approval). Certificates are sold to investors, and the proceeds are used by the lessor (an outside party) to acquire a capital asset on behalf of the City. The asset becomes the collateral for the certificates, and the City assumes ownership of the asset at the end of paying the full amount of the lease. Payments are subject to annual appropriation and do not constitute a long-term obligation under TABOR.</p>
Contingency Reserve	As defined by the City Charter, the proposed budget for the general fund shall include an amount, not less than two (2) percent of the total estimated expenditures set forth in the general fund for the ensuing year, for the payment of any expense, the necessity of which is caused by any casualty, accident or unforeseen contingency, after the passage of the annual appropriation ordinance. Revenues received during the year in excess of those projected, or an opening balance larger than projected, will automatically be added to the contingency reserve.
Contributed Capital	An equity account that shows the amount of permanent fund capital contributed to that fund.
Current Assets	Those assets that are available or can be made readily available to finance current operations or to pay current liabilities.
Current Liabilities	Financial obligations that are payable within one year.

Glossary of Terms

Debt Service Funds	Funds used for the payment of principal and interest on General Obligation and other long-term debts.
Depreciation	The process of allocating the total cost of fixed assets over each period of their usefulness to the entity.
Encumbrance	The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for a specified future expenditure. Purchase orders, contracts, and/or other commitments require a reservation of appropriation. These commitments cease to be encumbrances when paid or when cancelled.
Enterprise Fund	A fund established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
Fiduciary Funds	Trust and agency funds that account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds, non-expendable trust funds, pension trust funds, and agency funds.
Fixed Asset	A specific piece of real or personal property which is tangible in nature (possessing physical substance) and has an expected useful life longer than one year. The items are acquired through outright purchase, construction, lease purchase agreements, installment purchase contracts, tax or special assessment foreclosure, eminent domain, donations or gifts.
Fringe Benefits	Fringe benefits include the City's contribution to life insurance, retirement, health and dental insurance, and Social Security programs.
Fund	A fiscal and accounting entity, created by charter, ordinance, or applicable state law, consisting of a balanced set of accounts in which cash and other assets, related liabilities, residual balances, and changes therein, are recorded and segregated. Funds, excepting the General Fund, have specific sources of receipts and specific purposes of expenditures.
Fund Balance	The difference between fund assets and fund liabilities of governmental funds.
Funded Project	A generally funded appropriation for a specific purpose such as Street Lighting.
General Fund	The largest and most important of the City's funds. It includes all resources not restricted legally to a specific use. The major source of revenue for the General Fund is the sales tax, which accounts for approximately fifty percent of the fund revenue. Local property tax and the lodgers' tax also support the General Fund, as well as revenue derived from fees for services and materials, licenses, permits, and fines.

Glossary of Terms

Governmental Funds	A group of funds that account for activities associated with the City's basic operations. Types of governmental funds are the General Fund, special revenue funds, capital project funds, and debt service funds. This group of funds uses a modified accrual basis of accounting and focuses on operating revenues and expenditures.
Internal Services	Services or materials provided by one City agency to another. Payments are made through an internal billing transfer.
Internal Service Fund	A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.
Lapsing Fund	A fund in which appropriated amounts that the agency does not or cannot spend by the end of the fiscal year lapse or come to an end and are not carried forward into the next fiscal year. The budget is liquidated at the end of the budget period for all non-encumbered budget balances. All General Fund appropriations and enterprise funds are lapsing funds, as are some special revenue funds.
Mill Levy	The rate used in calculating taxes based on the value of property, expressed in mills per dollar of property value. A mill is 1/1000 of a dollar.
Net Income	The excess of all revenues over the total of all expenses.
Non-Lapsing Fund	A fund in which any remaining unspent appropriation at the end of the fiscal year rolls forward into the next fiscal year, allowing its continued use.
Operating Budget	Plan of current expenditures and the proposed means of financing them.
Operating Expenses	Fund expenses which are directly related to the fund's primary service activities.
Operating Income	The excess of operating revenues over operating expenses.
Operating Revenue	Fund revenues which are directly related to the fund's primary service activities. They consist primarily of user charges for services.
Personnel Services	Salaries and fringe benefits for all unlimited (permanent) and limited (temporary) employees and individual contracts.
Program Inventory	All programs and services the City provides to the community. The inventory facilitates prioritization during the annual budget process.
Position	The aggregate of duties and responsibilities performed by one person. A position may be unlimited, limited, or on-call, and may be filled or vacant.

Glossary of Terms

Proprietary Funds	A group of funds that account for activities that are often seen in the private sector and are operated in a similar manner as in the private sector. This group of funds uses a full accrual basis of accounting, and focuses on net income and capital maintenance. Enterprise and internal service funds belong to this group.
Reserve for Contingencies	See Contingency Reserve.
Retained Earnings	An equity account reflecting the accumulated earnings of an Enterprise or Internal Service Fund.
Revenue	Total inflow of net assets. (Revenue is NOT the amount of cash receipts).
Services and Charges	Purchase of professional and technical services (contract), utilities, repair and maintenance services, travel, printing and other services and charges.
Special Revenue Fund	Any fund which must be devoted to some special use in accordance with specific regulations and restrictions.
Statement of Cash Flows	The basic financial statement which presents information on the sources and uses of cash during an accounting period.
Statement of Revenues, Expenses and Changes in Net Fund Assets	The basic financial operating statement that presents increases and decreases in an entity's net current assets.
Statement of Net Assets	The basic financial statement that shows the financial position of an entity at a specific date. Assets are the economic resources of the entity. Net assets are total assets less liabilities (debt).
Supplies and Materials	These include office supplies, building materials, health supplies, food, and automotive parts.
Tax Increment Financing (TIF)	TIF is a method of facilitating development or redevelopment of defined areas of property by utilizing future tax revenues to pay for some of the necessary public improvements. TIF allows local officials to designate an area as a "TIF District" for improvement and then earmark any future growth in property tax revenues in that District to pay for the predetermined development.
Taxpayers Bill of Rights (TABOR)	A 1992 amendment to the Colorado Constitution that limits the government's ability to raise and spend revenue. TABOR applies to all levels of government in Colorado and requires voter approval to increase tax revenue; limits revenue collections by prescribing a formula for growth in spending; and limits spending to not more than a given percent.
Temporary Assistance for Needy Families (TANF)	The federally funded block grant program that provides monthly cash assistance, work opportunities and job training to families with children under age 18.

Glossary of Terms

Transfer	The movement of cash from one City fund to another by journal voucher. Transfers must be authorized by ordinance.
Vacancy Savings	An estimate of the savings occurring from the time a position becomes vacant until it can be refilled. For agencies with 10-29 employees, vacancy savings is two percent of the total personnel costs. For agencies with 30 or more employees, vacancy savings is three percent of the total personnel costs. No vacancy savings is budgeted for agencies with less than ten employees.
Working Capital	The excess of current assets over current liabilities, used to indicate the relative liquidity of an enterprise or internal service fund.