



**City of Brevard**

**North Carolina**

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## **APPENDIX**

**Response to Budget Questions**

**Glossary of Budget Terms**

## Questions and Answers

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**Q. What is the purpose of the City Budget?**

- A. *The Budget is an annual financial plan for the City of Brevard. It specifies the level of municipal services to be provided in the coming year. It reflects the policies and priorities set by the Mayor and City Council.*

**Q. How and when is the Budget prepared?**

- A. *Each spring City departments present to the City Manager their plans and needs for the coming year. The City Manager submits the Recommended Budget to the Mayor and City Council. Council reviews the budget, holds public hearings to obtain citizen input, and adopts the final budget along with ordinances setting the tax rate and fees required to fund the budget.*

**Q. Where does the City obtain its revenues?**

- A. *From local and state sales taxes, property taxes, franchise fees, and user fees for municipal services such as water, sewer, and refuse collection and recycling.*

**Q. How is the money used?**

- A. *It is used to pay for salaries, vehicles, supplies, materials, and debt to provide fire and police protection, water, sewer, solid waste collection, street and park maintenance, and other municipal services specified in the City Budget.*

**Q. How are property taxes calculated?**

- A. *When the City adopts its annual budget, it determines the tax rate that must be applied on property to generate the necessary General Fund revenue. The City of Brevard tax rate of \$0.5100 is applied to each \$100 of assessed valuation. For example, on a \$100,000 house:*

*Assessed Value: \$100,000*

*Tax = \$100,000/\$100 = 1,000 x .5100 = \$510.00*

**Q. What is the difference between ad valorem and property tax?**

- A. *There is no difference between ad valorem tax and property tax. They are different names for the same tax.*

**Q. What is an operating budget?**

- A. *An operating budget is an annual financial plan for recurring expenditures such as salaries, benefits, materials, utilities, supplies and services.*

## Questions and Answers (cont'd)

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**Q. What is a capital improvement budget?**

A. *A capital improvement budget is a long-range plan for the construction of physical assets such as buildings, streets, water mains, sewer lines, and water and sewer plants.*

**Q. What is a revenue or enterprise fund?**

A. *A revenue or enterprise fund earns its own revenues by charging customers for municipal services. The Water and Sewer Department is an example of an enterprise fund. It generates revenues by billing its customers for the water they use.*

**Q. What is a budget appropriation?**

A. *A budget appropriation is a specific amount of money that the City Council has approved for use in a particular manner.*

**Q. What is a Special Revenue Fund?**

A. *Special Revenue Funds are established to account for “general government” financial resources that are restricted by law or by contractual agreement to specific purposes.*

## Glossary of Terms

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**Accrual Basis** – Method of accounting in which transactions are recognized at the time they are incurred as opposed to when cash is received or spent.

**Adopted Budget** – The budget approved by City Council and enacted via a budget ordinance on or before June 30 of each year.

**Ad Valorem Taxes** – Commonly referred to as property taxes, ad valorem taxes are levied on the value of real, certain personal, and public utility property according to the property's valuation and the tax rate.

**Appropriated Fund Balance** – The amount of fund balance appropriated as a revenue for a given fiscal year to offset expenditures that exceed current revenue.

**Assessed Value** – The fair market value placed on personal and real property owned by taxpayers by the Transylvania Tax Assessor.

**Basis of Budgeting** – This refers to the form of accounting utilized throughout the budget process.

**Budget** – A plan of financial operation comprised of an estimate of proposed expenditures for a fiscal year and the proposed means of financing those expenditures (revenue estimates).

**Budget Amendment** – Formal action by City Council to change an appropriation or revenue estimate during the fiscal year.

**Budget Calendar** – The schedule of key dates or milestones which the City follows in the preparation and adoption of the annual budget.

**Budget Document** – The official written statement prepared by the City Manager which presents the proposed budget to the City Council.

**Budget Message** – A general discussion of the proposed budget presented to the Mayor and City Council by the City Manager as a part of the budget document. The budget message explains principal budget issues against the background of financial experience in recent years and presents recommendations made by the City Manager.

**Budget Ordinance** – The official enactment by City Council establishing the legal authority for City administrative staff to obligate and expend funds.

**Budget Process** – Activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital needs.

## Glossary of Terms

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**Capital Outlay** – Items of significant value (more than \$5,000) and having a useful life of several years, also referred to as fixed assets.

**Capital Improvement Program** – A plan to identify, prioritizes, and approve capital needs (over \$10,000) for a five-year period.

**Contingency** – A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

**Debt Service** – Payment of interest and principal on borrowed funds, such as bonds or installment financing.

**Department** – A management unit overseeing divisions and activities.

**Enterprise Fund** – A type of fund that accounts for governmental operations that are financed and operated in a manner similar to private business enterprises. It is financed primarily from charges to users for services provided. Included in this category is the Water & Sewer Fund.

**Expenditures** – The cost of goods received or services rendered whether payment for such goods and services has been made or not.

**Fiscal Year** – An accounting period extending from July 1 through the following June 30.

**Fixed Assets** – Assets, such as land, buildings, machinery, furniture, and other equipment, which are intended to be held or used over a long time period.

**Full Time Equivalent Position (FTE)** – A unit for measuring staffing levels equal to one position working 40 hours per week for an entire year. Temporary or part-time positions are not included in the FTE count.

**Fund** – A fiscal entity with a self-balancing set of accounts used to account for an activity(s) with common objectives.

**Fund Balance** – The cumulative excess of revenues over expenditures in a fund at the end of a fiscal year. With certain limitations, fund balance may be used to balance the subsequent year's budget.

**General Fund** – A type of governmental fund used to account for revenues and expenditures for regular day-to-day operations of the City which are not accounted for in the proprietary funds; i.e., Enterprise and Intergovernmental Service Funds. The primary sources of revenue for this fund are local taxes, state shared revenues, franchise fees, and charges for services.

## Glossary of Terms

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**Generally Accepted Accounting Principles (GAAP)** – The set of accounting rules and procedures used by governmental agencies to account for the receipt and expenditure of funds.

**Installment Financing** – A contractual agreement to purchase a fixed asset over a period to several years.

**Interfund Transfer** – The movement of monies between funds of the same governmental entity.

**Line-Item Budget** – A budget summarizing the detail categories of expenditure for goods and services that the City intends to purchase during the fiscal year.

**Local Government Budget and Fiscal Control Act** – The legal guidelines of the State of North Carolina which govern budgetary and fiscal affairs of local governments.

**Modified Accrual Basis** – A method for recording receipts and expenditures are recognized when the goods or services are received, and revenues are recognized when measurable and available to pay expenditures in the accounting period.

**Operating Budget** – The City’s financial plan which outlines proposed expenditures for the fiscal year and estimates the revenues which will be used to finance them.

**Pay-As-You-Go Financing** – A method of paying for capital projects that relies on current revenue rather than on debt.

**Proposed Budget** – The City Manager’s recommended balanced budget which is submitted to Mayor and City Council prior to June 1.

**Proprietary Fund** – A type of fund that accounts for governmental operations that are financed and operated in a manner similar to a private business enterprise. It is financed primarily from charges to users for services provided. Proprietary funds used by the City of Brevard include the Enterprise Funds.

**Revenue** – A term used to represent actual or expected income to a specific fund.

**Special Revenue Fund** – Funds that are established to account for “general government” financial resources that are restricted by law or by contractual agreement to specific purposes.

**Tax Collection Rate** – The percentage of the tax levy that can reasonably be expected to be collected during the fiscal year.

## Glossary of Terms

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**Tax Rate** – The level at which taxes are levied per \$100 of assessed value.

**Tax Levy** – The total dollar amount of tax that optimally should be collected based on tax rates and assessed values of personal and real properties.

**Transmittal Letter** – A letter from the City Manager summarizing the major highlights of the Proposed Budget.

**Trust Fund** – A type of fund to be used to report resources that are required to be held in a trust.