

## Capital Improvement Plan

### Glossary

**Annual Budget** – a budget applicable to a single fiscal year.

**Appropriation** – an authorization granted by City Council to a specified unit of City government to incur obligations and make expenditures of resources.

**Assessment** - the official valuation of property for purposes of taxation.

**Bond** – a written promise to pay a specified sum of money (called principal) at a specified date in the future, plus periodic interest at a specified rate. In the budget document these payments are identified as debt service. General Obligation Bonds are debt approved by voter referendum to which the full faith and credit of the City is pledged.

**Budget** – a plan for the acquisition and allocation of resources to accomplish specified purposes. The term may be used to describe special purpose fiscal plans or parts of a fiscal plan, such as “the budget of the Fire Department,” the Capital Budget” or it may relate to a fiscal plan for an entire jurisdiction, such as “the budget of the City of South Portland.”

**Capital** – a category of account codes which identify major expenditures of public funds, beyond maintenance and operating costs, for procurement of items such as vehicles, computer equipment, office furniture, and the acquisition or construction of a needed physical facility.

**Capital Equipment** – fixed assets such as automobiles, typewriters, furniture, technical instruments, etc., which have a life expectancy of more than one year and a value over five hundred dollars.

**Capital Improvement Program (CIP)** – a document which provides a prioritization and orderly implementation of short and long-range plans for land acquisition and construction of capital projects. It further provides for the scheduling of the associated expenditures over a period of seven years in order to maximize the use of public funds. The first year of the program represents the proposed capital budget for that fiscal year. The schedule is based on a series of priorities which take into consideration the respective projects’ function and urgency. In addition, special consideration is given to the projects’ relation to other improvements and plans, and the City’s current and anticipated financial capacity. The Capital Improvement Program is updated annually, at which time the schedule and the projects are reevaluated, new or deferred projects are added, and the time frame is extended by one additional fiscal year.

**Capital Outlays** – expenditures which result in the acquisition of or an addition to fixed assets.

**Debt** – an obligation resulting from the borrowing of money.

**Debt Service** – the accounting for payments of principal and interest on long-term debt.

**Deficit** – (1) the excess of the liabilities of a fund over its assets. (2) the excess of expenditures over revenues during an accounting period.

**Designated Fund Equity** – funds approved and set-aside for a specific defined purpose, by the City Council.

**Fiscal Year** – in the City of South Portland, the twelve months beginning July 1 and ending the following June 30<sup>th</sup>.

**Fund** – a fiscal and accounting entity with a self-balancing set of accounts that 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 excess of a fund’s assets over its liabilities and reserves.

**Generally Accepted Accounting Principles** – government accounting and financial reporting is guided by what are referred to as “generally accepted accounting principles” (GAAP) applicable to governmental units. These standards were formulated through the voluntary action of several professional groups and are evaluated and updated by the Government Accounting Standards Board (GASB).

**General Fund** – accounts for the general operations of the City. This fund accounts for all financial transactions and resources not required to be accounted for in an enterprise fund.

**Operating Expenditures** – a category of recurring expenses other than salaries and capital equipment costs, which covers expenditures necessary to maintain facilities, collect revenues, provide services and otherwise carry out the City’s goals. Typical line items are supplies, printing, postage, transportation and utilities.

**Reserve** – an account, which records a portion of the fund, balance which must be segregated for some future use and which is not available for future appropriation or expenditures.

Revenues – funds which the government receives as income. It includes such items as fees from specific services, boarding of prisoners, grants, and interest income.

**Surplus** – See Fund Balance.

**Unappropriated or Undesignated Fund Balance** – fund balance at close of fiscal year is not included in the annual budget.