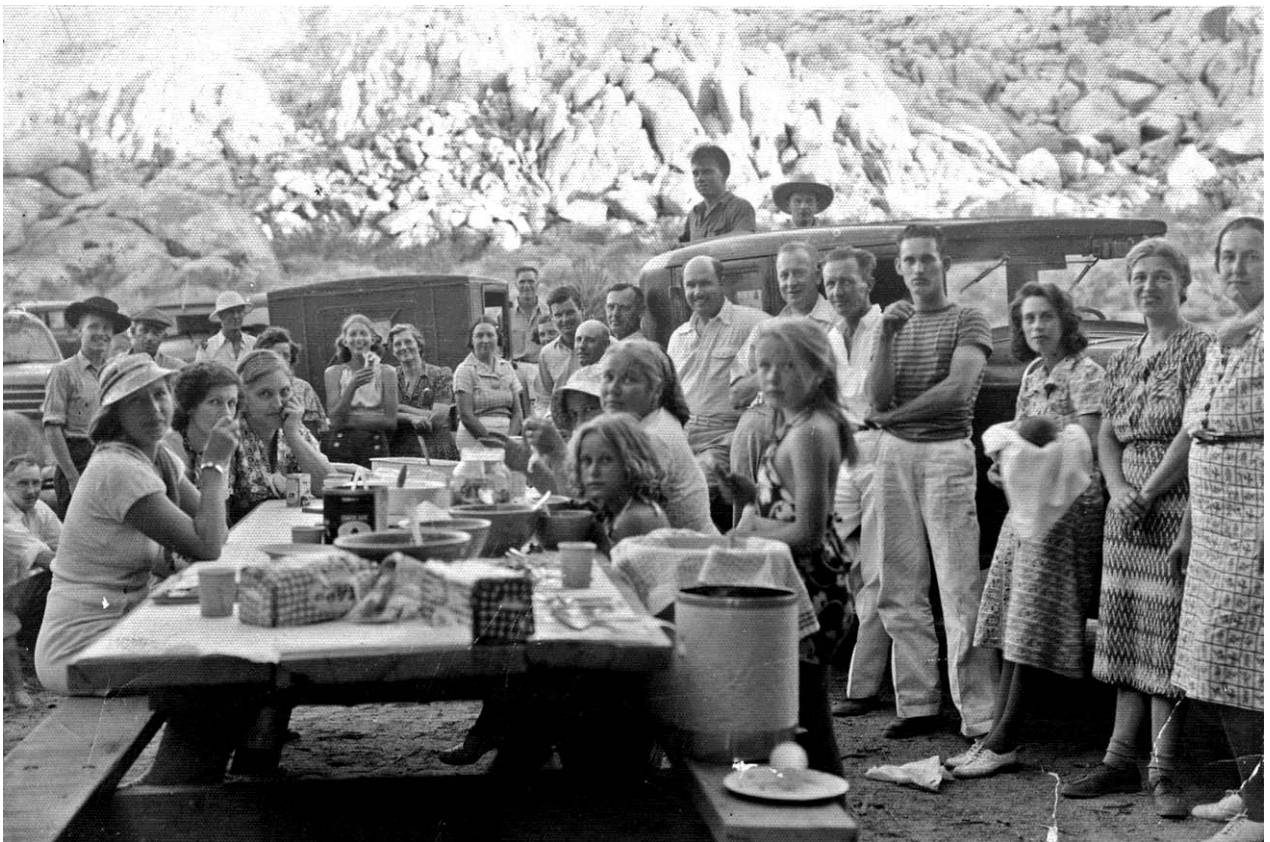




## SECTION 8 GLOSSARY OF ACRONYMS AND TERMS



**Bagley Picnic--1936-37**

# GLOSSARY OF ACRONYMS

<b>AB:</b>	Assembly Bill
<b>AFY:</b>	Acre Feet Per Year
<b>APB:</b>	Accounting Principles Board
<b>ARB:</b>	Accounting Research Bulletins
<b>ACR:</b>	Annually Required Contributions
<b>ARRA:</b>	American Recovery and Reinvestment Act
<b>AV:</b>	Assessed Valuation
<b>BEGIN:</b>	Build Equity and Growth in Neighborhoods Program
<b>BOE:</b>	Board of Equalization
<b>CAEATFA:</b>	California Alternative Energy and Advanced Transportation Financing Authority
<b>CAL-HFA:</b>	California Housing Finance Agency
<b>CAX:</b>	Combined Arms Exercises
<b>CDF:</b>	California Department of Forestry
<b>CDL:</b>	Commercial Drivers License
<b>CDS:</b>	Credit Default Swaps
<b>CEQA:</b>	California Environmental Quality Act
<b>CalEMA:</b>	California Emergency Management Agency
<b>CalPERS:</b>	California Public Employees Retirement System
<b>CalRECYCLE)</b>	California Department of Resources Recycling and Recovery
<b>CalTRANS:</b>	California Department of Transportation
<b>CARMA:</b>	California Affiliated Risk Management Authorities
<b>CCAA:</b>	California Clean Air Act
<b>CD:</b>	Certificates of Deposit
<b>CDBG:</b>	Community Development Block Grant
<b>CDIAC:</b>	California Debt and Investment Advisory Commission
<b>CERT:</b>	Community Emergency Response Team
<b>CIP:</b>	Capital Improvement Plan
<b>CFMH:</b>	Crime Free Multi-Housing Program
<b>CMAQ:</b>	Congestion, Mitigation and Air Quality Funds
<b>COP:</b>	Certificates of Participation
<b>COPS:</b>	California Citizen Option for Public Safety
<b>CPI:</b>	Consumer Price Index
<b>CRL:</b>	California Redevelopment Law
<b>CSAC:</b>	California State Association of Counties
<b>CSAC-EIA:</b>	California State Association of Counties Excess Insurance Authority
<b>CTC:</b>	California Transportation Commission
<b>CTTC:</b>	California Tourism and Travel Commission
<b>CVB:</b>	Convention and Visitors' Bureau
<b>DARE:</b>	Drug Abuse Resistance Education
<b>DDA:</b>	Disposition and Development Committee
<b>DHS:</b>	Department of Health Services
<b>DOF:</b>	Director of Finance (State of California)
<b>DOJ:</b>	Department of Justice
<b>DMV:</b>	department of Motor Vehicles
<b>DUI:</b>	Driving Under the Influence
<b>DVP:</b>	Delivery v. Payment
<b>EAP:</b>	Employee Assistance Program
<b>EDA:</b>	Economic Development Administration
<b>EIR:</b>	Environmental Impact Report
<b>ERMA:</b>	Employment Risk Management Authority

<b>ERAF:</b>	Education Revenue Augmentation Fund
<b>ESL:</b>	English as a Second Language
<b>FASB:</b>	Financial Accounting Standards Board
<b>FDIC:</b>	Federal Deposit Insurance Corporation
<b>FFCB:</b>	Federal Farm Credit Bank
<b>FHLB:</b>	Federal Home Loan Bank
<b>FMAP:</b>	Federal Medical Assistance percentages
<b>FNMA:</b>	Federal National Mortgage Association
<b>FMOC:</b>	Federal Open market Committee
<b>FSA:</b>	Federally Sponsored Agencies
<b>GAAP:</b>	Generally Accepted Accounting Principles
<b>GAGAS:</b>	Generally Accepted Government Auditing Standards
<b>GC:</b>	Government Code
<b>GIS:</b>	Geographic Information System
<b>GASB:</b>	Government Accounting Standards Board
<b>GFOA:</b>	Government Finance Officers Association of the United States and Canada.
<b>GHG:</b>	Green House Gas
<b>HMO:</b>	Health Maintenance Organization
<b>HOME:</b>	Home Investment Partnerships Program
<b>HUD:</b>	U.S. Department of Housing and Urban Development
<b>ICMA:</b>	International City/County Management Association
<b>IRS:</b>	Internal Revenue Service
<b>JEPA:</b>	Joint Exercise of Powers Act
<b>JPA:</b>	Joint Powers Authority
<b>JTNP:</b>	Joshua Tree National Park
<b>LAFCO:</b>	Local Agency Formation Commission
<b>LAIF:</b>	Local Agency Investment Fund
<b>LGIP:</b>	Local Government Investment Pool
<b>LLC:</b>	Limited Liability Company
<b>LAWCX:</b>	Local Agency Workers Compensation Excess Pool
<b>LTF:</b>	Local Transportation Funds
<b>MAGEC:</b>	Multi-Agency Gang Enforcement Consortium
<b>MAIT:</b>	Morongo Basin Station's Major Accident Investigation Team
<b>MBTA:</b>	Morongo Basin Transit Authority
<b>MCAGCC:</b>	Marine Corps Air Ground Combat Center
<b>MCCS:</b>	Marine Corps Community Services
<b>MDAQMD:</b>	Mojave Desert Air Quality Management District
<b>M&amp;I:</b>	Municipal and Industrial
<b>MIS:</b>	Management Information System
<b>MLO:</b>	Mortgage Loan Originator
<b>MOE:</b>	Maintenance of Effort
<b>NASD:</b>	National Association of Securities Dealers
<b>NCGA:</b>	National Council on Governmental Accounting
<b>NPDES:</b>	National Pollutant Discharge Elimination System
<b>NYMEX:</b>	New York Mercantile Exchange
<b>OPED:</b>	Other Public Employee Benefits
<b>OSH:</b>	Occupational Safety and Health
<b>PARSAC:</b>	Public Agency Risk Sharing Authority of California
<b>PDL:</b>	Pregnancy Disability Leave
<b>PEPIP:</b>	Public Entity Property Insurance Program
<b>PEG:</b>	Public, Education and Government
<b>PFA:</b>	Public Financing Authority
<b>PID:</b>	Project Initiation Documents
<b>PM:</b>	Particulate Matter

<b>POST:</b>	Peace Officer Standards Training
<b>PAAC:</b>	Public Arts Advisory Council
<b>PUC:</b>	Public Utilities Commission
<b>RBCA:</b>	Risk Based Corrective Action Environmental Study
<b>RDA:</b>	Redevelopment Agency
<b>RFP:</b>	Request for Proposal
<b>RHNA:</b>	Regional Housing Needs Assessment
<b>ROG:</b>	Reactive Organic Gases
<b>RP:</b>	Repurchase Agreement
<b>RSTP:</b>	Regional Surface Transportation Program
<b>RTA:</b>	Regional Transportation Agency
<b>RWQCB:</b>	Regional Water Quality Control Board
<b>SAD:</b>	Special Assessment District
<b>SB:</b>	Senate Bill
<b>SCADA:</b>	Supervisory Control and Data Acquisition System
<b>SCAG:</b>	Southern California Association of Governments
<b>SDI:</b>	State Disability Insurance
<b>SERF:</b>	Supplemental Education Revenue Augmentation Fund
<b>SOI:</b>	Sphere of Influence
<b>SRO:</b>	School Resource Officer
<b>SR2S:</b>	Safe Routes to School
<b>STIP:</b>	State Transportation Improvement Program
<b>T-BILLS:</b>	U.S. Treasury Bills
<b>TI:</b>	Tax Increment
<b>TIF:</b>	Tax Increment Financing
<b>TDA:</b>	Transportation Development Act
<b>TDS:</b>	Total Dissolved Solids
<b>TOT:</b>	Transient Occupancy Tax
<b>TPWD:</b>	Twentynine Palms Water District
<b>UI:</b>	Unemployment Insurance
<b>WWTP:</b>	Wastewater Treatment Plant
<b>UWMP:</b>	Urban Water Management Plan
<b>UWMPA:</b>	Urban Water Management Plan Act
<b>USBR:</b>	U.S. Bureau of Reclamation
<b>VLF:</b>	Vehicle License Fees
<b>WAM:</b>	Weighted Average Maturity
<b>WTI:</b>	West Texas Intermediate Crude
<b>YTC:</b>	Yield to Call

# GLOSSARY OF TERMS

**Absentee Owner:** Property owner who owns property at one location, but lives or operates a business at another location.

**Accountability:** Being obligated to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry—to justify the raising of public resources and the purposes for which they are used. Governmental accountability is based on the belief that the citizenry has a “right to know,” and a right to receive openly declared facts that may lead to public debate by citizens and their elected representatives.

**Accrual Basis of Accounting:** A method of accounting that recognizes the financial effect of transactions, events, and inter-fund activities when they occur, regardless of the timing of related cash flows.

**Accrued Interest:** The accumulated interest due on a bond as of the last interest payment made by the issuer.

**Accumulated Depreciation:** A valuation account to record the accumulation of periodic credits made to record the expiration of the estimated service life of fixed assets.

**Activity:** A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., *police* is an activity within the *public safety* function).

**Actuarial Accrued Liability:** Term used in connection with defined benefit pension plans. That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs.

**Actuarial Assumptions:** Term used in connection with defined benefit pension plans. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government-provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods; and other relevant items.

**Actuarial Cost Method:** Term used in connection with defined benefit pension plans. A procedure for determining the actuarial present value of pension benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability.

**Actuarial Value of Assets:** Term used in connection with defined benefit pension plans. The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The actuarial value of assets, which may represent an average value over time, normally differs from the amount reported in the financial statements, which is a point-in-time measure (i.e., as of the date of the statement of net assets).

**Ad Valorem Tax:** A tax assessed based on the dollar value of an item or activity. Typical examples are property taxes and sales taxes. Ad valorem taxes, contrast with per-unit taxes, such as alcoholic beverage and cigarette taxes, which are assessed at a fixed dollar per unit purchased.

**Adopted Budget:** The official budget as approved by the Twentynine Palms City Council at the start of each fiscal year.

**Advance Refunding:** A transaction in which new debt is issued to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt. Most advanced refundings result in defeasance of debt.

**Agency:** A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

**Agency Fund:** One of the types of a Fiduciary Fund Type. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**Amortization:** The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**Annual Appropriated Budget:** The expenditure authority and related estimated revenues created by the appropriation bills or ordinances that are approved by the Twentynine Palms City Council and signed into law by the Mayor. The annual appropriated budget would include all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes.

**Annual Required Contribution (ACR):** Term used in connection with defined benefit pension plans. The employer's mandated contribution for the year, calculated in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting.

**Appropriation:** A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

**Arbitrage:** The simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

**Assessed Valuation:** A valuation set upon real estate or other property by a government as a basis for levying taxes. Assessed value multiplied by the tax rate determines the property tax.

**Assessment District.** A defined area of land which will be benefited by the acquisition, construction or maintenance of a public improvement. An assessment district is not a separate government entity.

**Audit:** A review of the City's accounts by an independent auditing firm to substantiate year-end fund balances, reserves, cash on hand, revenues, and expenditures.

**Availability Criterion:** Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities.

**Availability Period:** A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

**Average Life:** The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**Base Value:** The total assessed value of property within a Redevelopment Agency project area in the year in which the redevelopment project is approved.

**Base Year:** The year in which the Redevelopment Agency plan is adopted.

**Basis of Accounting:** The time of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus.

**Basis Point:** A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 % of yield, e.g., "1/4" of 1 % is equal to 25 basis points.

**Benefit Assessment.** Charges levied on parcels to pay for public improvements or services provided within a pre-determined district or area according to the benefit the parcel receives from the improvement or services.

**Benefit Assessment Bonds.** Bonds levied by cities, counties and special districts to acquire or construct public improvements which convey a special benefit to a defined group of properties.

**Benefit Assessment District:** An area of the City, established in accordance with State law, whose residents pay an annual assessment for service which specifically benefits them.

**Betterment:** An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset. The term "improvement" is preferred.

**Bid:** The indicated price at which a buyer is willing to purchase a security or commodity.

**Blighted Areas:** Areas and/or structures of a community which constitute either physical, social, or economic liabilities requiring redevelopment in the interest of health, safety, and general welfare of the people of the community and the state.

**Book Value:** The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

**Bond:** A written promise to pay a specific sum of money called the face value or principal amount, at a specified date or dates in the future, called maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a period of time and requires greater legal formality.

**Bond Resolution:** A legal order or contract by a governmental unit to authorize a bond issue. A bond resolution carefully details the rights of the bondholders and the obligations of the issuer.

**Broker:** A broker brings buyers and sellers together for a commission. He or she does not take a position.

**Budget:** A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term “budget” is used in two senses in practice. It can designate the financial plan presented to the appropriating body for adoption or the plan finally approved by that body.

**Budget Document:** The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of three parts. The first part contains a message from the budget-making authority, together with a summary of the significant financial data supporting the summary. These schedules show in detail the information as to past years’ actual revenues, expenditures and other data used in making estimates. The third part is composed of drafts of the appropriation, revenue and borrowing measures necessary to put the budget in effect.

**Budget Message:** A general discussion of the annual budget as presented in writing by the budget-making authority to the legislative body. The budget message should contain an outline of the government’s experience during the past period of financial reporting and its financial status at the time of message, and recommendations regarding the financial policy for the coming period.

**Budgetary Control:** The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

**Business-Type Activities:** One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or part by fees charged to external parties for goods or services. These activities are usually reported in Enterprise Funds.

**California Community Redevelopment Law (CRL):** Redevelopment law of the state contained in California Health and Safety Code, Division 24, Part 1 (Section 33000 et seq.)

**California State Board of Equalization (BOE):** California state agency responsible for the collection and administration of the state’s sales and use, alcohol, tobacco, and other taxes. In addition the BOE determines the assessed value of certain properties and oversees property tax assessment practices of county assessors.

**California State Controller:** The Controller is the Chief Fiscal Officer of the state and is elected every four years. The controller is responsible to: account and disburse all state funds; determine the legality and accuracy of claims against the state; pay the state’s bills; audit and process all personnel and state payroll transactions; audit various state and local government programs; administer the Unclaimed Property Law; and inform the public of financial transactions of city, county and district governments.

**Callable Bond:** A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**Call Price:** The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond’s original issue price to compensate the holder for loss of income and ownership.

**Call Risk:** The risk to a bondholder that a bond may be redeemed prior to maturity.

**Capital and Related Financing Activities:** Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit.

**Capital Assets:** Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

**Capital Expenditure:** A Capital Expenditure is an outlay of funds for fixed assets, including land, buildings, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more.

**Capital Improvements Plan (CIP):** A plan for capital expenditure to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program of the City. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

**Capital Projects Fund:** A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds).

**Certificate of Deposit (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

**Capital Outlay:** A budget category which includes all equipment having a unit cost of more than \$500 and a useful life of more than one year.

**Cash:** The term, used in connection with cash flow reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. *Cash* also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

**Cash Sale/Purchase:** A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

**Categorical Grant:** Grant typically allocated either to qualifying applicants according to a formula or to applicants competing for project grants through an application process. Categorical grants are the most common form of federal aid.

**Collateral:** Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit.

**Commercial Paper:** An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

**Component Unit:** A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

**Consumer Price Index (CPI):** A statistical description of price levels provided by the U.S. Department of Labor. The change in this index from year to year is used to measure the cost of living and economic inflation.

**Contributed Capital:** This equity is obtained from other sources (e.g., capital grants). Thus it is somewhat like "capital stock" and "paid-in-capital in excess of par" for private enterprises. Proprietary fund equity is divided into "contributed capital" and "retained earnings."

**Convexity:** A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**Cost-Reimbursement Basis:** Term used in connection with internal service funds. The setting of charges so that costs are systematically recovered on a break-even basis over time.

**Coupon Rate:** The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the “interest rate.”

**County Assessor:** An elected official whose main duty is to set values on real property for the purpose of taxation within the county. The Assessor is responsible for the creation and maintenance of assessor parcels from final subdivisions, parcel maps, lot line adjustments, record of survey, deeds and miscellaneous documents.

**County Auditor-Controller:** The chief accounting officer of the county established to provide various accounting and property tax administration services to the county and other local governments within the county. The Auditor-Controller is responsible for budget control, disbursements and receipts, financial reporting, and for audits of certain agencies within the county. Auditor-Controllers are nonpartisan elected officials serving four-year terms.

**County Treasurer-Tax Collector:** Administers the billing, collection, and reporting of property tax revenues and conducts Tax Defaulted Property Sales for real property tax delinquencies remaining after five years. Treasurer-Tax Collectors are nonpartisan elected officials serving four-year terms.

**Credit Quality:** The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

**Credit Risk:** The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Current:** A term which, applied to budgeting and accounting, designates the operation of the present fiscal period as opposed to past or future periods. It usually connotes financial resources likely to be used or converted into cash within one year.

**Current Yield (Current Return):** A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

**Dealer:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his or her own account.

**Debt Financing:** Issuance of bonds and other debt instruments to finance municipal improvements and services.

**Debt Instrument:** Written pledge to repay debt such as bills, notes and bonds.

**Debt Service:** Payment of principal and interest on long-term indebtedness.

**Debt Limit:** The maximum amount of gross or net debt that is legally permitted.

**Debt Service Fund:** Governmental Fund Type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Deferred Revenues:** Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

**Deficit:** (1) The excess of liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period, or in the case of proprietary funds, the excess of expenses over income during an accounting period.

**Defined Benefit Pension Plan:** A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

**Delivery Versus Payment (DVP):** A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

**Demolition:** Clearance or removal of a structure in order to carry out the Redevelopment Agency redevelopment plan.

**Department:** An organizational unit comprised of divisions or programs. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

**Depreciation:** The expiration in the service life of fixed assets, other than wasting assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a fixed asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, is charged with a portion of such cost. Through this process, the entire cost of asset is ultimately charged off as an expense.

**Derivative Security:** Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**Development Impact Fees:** Fees placed on the development of land or conditions required for the approval of a development project such as the donation (“dedication” or “exaction”) of certain lands (or money) to specific public uses. The fees are typically justified as an offset to the future impact that development will have on existing infrastructure.

**Direct Costing:** Term used in connection with the valuation of capital assets. Use of source data (e.g., invoices) to establish the historical cost of a capital asset.

**Discount:** The amount by which the par value of a security exceeds the price paid for the security.

**Diversification:** Dividing investment funds among a variety of securities offering independent returns.

**Documentary Transfer Tax:** Tax imposed on documents recorded in the transfer of ownership in real estate as distinguished from a Real Property Transfer Tax which may only be imposed by Charter Cities.

**Duration:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**Earmarked Funds:** Funds that have been tagged or “earmarked” for a specific purpose.

**Economic Resources Measurement Focus:** Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity’s net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It also is used by business enterprises and not-for-profit organizations in the private sector.

**Education Revenue Augmentation Fund (ERAF):** Accounts established by the State Legislature to receive shifts of property tax revenues from cities, counties, special districts, and redevelopment agencies. The additional ERAF property tax revenues to schools enable the State General Fund to reduce support from the State General Fund, thereby saving the state billions of dollars annually.

**Effectiveness:** Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful in achieving its goals and objectives.

**Efficiency:** Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources. Efficiency necessarily presupposes effectiveness.

**Eminent Domain:** Authority of a government agency to acquire property for public purposes (not to be confused with meaning public buildings and improvements only). Also known as condemnation.

**Encumbrances:** Commitments related to unperformed (executory) contracts for goods and services.

**Enterprise Fund:** This fund type accounts for operations that are financed and run like a private business. It enables the governing body to provide goods or services to the general public on a continuing basis through user charges.

**Excise Tax:** Tax placed on a person for a voluntary act, making the tax avoidable. It includes sales and use tax, business license tax, transient occupancy tax (TOT) utility users tax, etc. Phrase “excise tax” is most commonly used to refer to a parcel tax.

**Exemption:** The exclusion from the tax base of certain types of transactions or objects. For example, federally-owned land is exempt from property taxes.

**Expenditures:** Decreases in net financial resources. Expenditures include current operating expenses which require the current or future use of net current assets, debt service and capital outlays. It includes the measurement focus classified as *other financing uses*.

**Fair Value:** Term used in connection with the valuation of investments. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Federal Deposit Insurance Corporation (FDIC):** A Federal agency that insures bank deposits, currently up to \$250,000 per deposit.

**Federal Accounting Standards Advisory Board:** Authoritative standard-setting body responsible for establishing Generally Accepted Accounting Principles (GAAP) for the federal government.

**Federal Funds (Fed Funds):** Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**Federal Funds Rate:** Interest rate charged by one institution lending federal funds to the other.

**Federal Reserve System:** The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C.; 12 regional banks and about 5,700 commercial banks are members of the system.

**Fee:** A charge to the consumer for the cost of providing a particular service. California government fees may not exceed the estimated reasonable cost of providing the particular service or facility for which the fee is charged, plus overhead.

**Fiduciary Funds:** Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The Fiduciary Fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and agency funds.

**Final Amended Budget:** Term used in connection with budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplementary appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

**Financial Accountability:** Term used in connection with the definition of the financial reporting entity. The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or jointly appointed board that is financially dependent on the primary government.

**Financial Accounting Standards Board (FASB):** The authoritative accounting and reporting standard-setting body for business enterprises and not-for-profit organizations. The FASB is the direct successor of the Committee on Accounting Procedure and the Accounting Principles Board. The GASB and its predecessors have elected to apply a number of FASB's standards, as well as those of its predecessors, to state and local governments.

**Financial Audits:** Audits designed to provide independent assurance of the fair presentation of financial information.

**Financial Resources:** Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and pre-pays (because they obviate the need to expend current available financial resources).

**Finding:** Term used in conjunction with public-sector auditing. Published communication of an internal control weakness or instance of noncompliance in connection with an audit conducted in accordance with GAGAS.

**Fines, Forfeitures and Penalties:** Revenues received and/or bail monies forfeited upon conviction of a misdemeanor or municipal infraction.

**Fiscal Accountability:** The responsibility of governments to justify that the actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year). This term is used in contrast to *operational accountability*.

**Fiscal Funding Clause:** Term used in connection with capital leases. A clause in a lease agreement that generally provides that the lease is cancelable if the City Council or other funding authority does not appropriate the funds necessary for the government unit to fulfill its obligations under the lease agreement.

**Fiscal Year:** A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operation. Nearly all city fiscal years begin on July 1 and end June 30 of the following year.

**Five percent Criterion:** Second of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. This test is applied to the combined total

assets, liabilities, revenues or expenses/expenditures of all governmental and enterprise funds for which the 10 % criterion has been met.

**Fixed Assets:** Assets of a long-term nature which are intended to continue to be held or used such as land, buildings, improvements other than buildings, machinery, and equipment.

**Franchise Act of 1937:** Like the Broughton Act, restricts franchise collections to 2% of gross annual receipts, but includes a minimum fee of 2% of gross annual receipts, and includes a minimum fee of ½% of gross annual receipts for electric franchises or 1% of gross annual receipts for gas or water franchises operating within the City limits.

**Franchise Fee:** A fee levied upon utilities operating within the City limits which is based upon the gross revenue of the utility.

**Full Accrual:** This accounting method recognizes transactions and events as revenues/gains and expenses/losses when they occur, regardless of the timing of related cash flows. Proprietary funds rely upon this accounting method. In contrast, governmental funds rely upon “modified accrual” accounting.

**Full Faith and Credit:** Pledge by issuer of general obligation to bondholders that issuer “guarantees all available funds” be used to pay bondholders should the project go into default.

**Function:** A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., *public safety*).

**Functional Revenue:** Revenues that can be associated with and allocated to one or more expenditure function and which meet one of the following criteria: (1) the revenue is generated from direct services, such as revenue from fees or charges; (2) the revenue associated with a specific service by external requirements, such as grant conditions, bond sale agreements, or statutory or charter requirements.

**Fund:** An independent fiscal and accounting entity with a self-balancing set of accounts 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 difference between assets and liabilities reported in a Governmental Fund.

**Fund Classifications:** One of three categories (Governmental, Proprietary, and Fiduciary) used to classify fund types.

**Fund Type:** One of 11 classifications into which all individual funds can be categorized. Governmental Fund Types include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds. Proprietary Fund Types include Enterprise Funds and Internal Service Funds. Fiduciary Fund Types include Pension (and other employee benefit) Trust Funds, Investment Trust Funds, Private- Purpose Trust Funds, and Agency Funds.

**General Fixed Assets:** Fixed assets used in operations accounted for in governmental funds. General Fixed Assets include all fixed assets not accounted for in proprietary funds or in trust and agency funds.

**General Fund:** The General Fund is one of five Governmental Fund Types and typically serves as the chief operating fund of a government. This fund is used to account for all financial resources except those required to be accounted for in another fund.

**General Law City:** A city that has not adopted a charter and is therefore bound by the State’s general laws, even with respect to municipal affairs. In contrast, charter cities have authority over “municipal affairs,” trumping state law governing the same topic.

**General Revenues:** All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by the type of tax---for example, sales tax, property tax, franchise tax, income tax. All other non-tax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

**General Obligation (GO) Bonds:** Bonds for the payment of which the full faith and credit of the issuing government are pledged.

**General Revenue:** Those revenues that cannot be associated with a specific expenditure, such as property taxes (other than voter approved indebtedness), sales tax, and business license tax.

**General Tax:** A tax imposed for general governmental purposes, the proceeds of which are deposited into the General Fund. A majority vote of the electorate is required to impose, extend or increase any general tax.

**Generally Accepted Accounting Principles (GAAP):** The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS NO. 69, *The Meaning of "Present in Conformity with Generally Accepted Accounting Principles" in Independent Auditor's Report*.

**Generally Accepted Government Auditing Standards (GAGAS):** Standards for the conduct and reporting of both financial and performance audits in the public sector. The General Accounting Office promulgates GAGAS through its publication *Government Auditing Standards*, commonly known as the *Yellow Book*. The basic GAGAS standards are classed into three broad categories: general standards, fieldwork standards, and reporting standards. The general standards of GAGAS establish separate fieldwork and reporting standards for financial audits and performance audits. The fieldwork standards and reporting standards used for financial audits build upon the standards of fieldwork and the standards of reporting of GAGAS.

**Governmental Accounting Standards Board (GASB):** The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. GASB was established in June 1984 to replace National Council on Government Accounting (NCGA).

**Governmental Activities:** Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

**Governmental Funds:** Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.

**Grants:** Contributions of cash or other assets from another governmental agency to be used or expended for a specific purpose, activity or facility.

**Homeowner's Property Tax Relief:** Revenue from the state to offset city loss of property tax for state-imposed \$7,000 per dwelling homeowner exemption.

**Improvement Bond Act of 1915:** State law which allows cities, counties, and "public" districts to issue assessment bonds and bond anticipation notes. The Improvement Bond Act of 1915 Act does not authorize assessments.

**Infrastructure:** Public improvements which support development, including street lighting, sewers, flood control facilities, water lines, sewer lines, storm drain lines, telephone lines, etc.

**Improvement:** An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its capacity. The cost of the addition or change is added to the book value of the asset.

**Improvements Other than Buildings:** A fixed asset account which reflects acquisition value of permanent improvements other than buildings, which add value to land. Examples of such improvements are fences, retaining walls, sidewalks, pavements, gutters, tunnels, and bridges.

**Independent Auditor:** Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered to be independent.

**Indirect Expenses:** Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

**Infrastructure:** Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

**Interest Rate:** See “Coupon Rate.”

**Interest Rate Risk:** The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

**Interfund Activity:** Activity between funds of the City of Twentynine Palms, Twentynine Palms Redevelopment Agency and the Twentynine Palms Public Finance Authority. Interfund activities are divided into two broad categories: reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

**Interfund Loans:** Amounts provided between funds and blended component units of the primary government with a requirement for repayment.

**Interfund Transfers:** Flows of assets (such as cash or goods) between funds and blended component units of the City of Twentynine Palms without equivalent flows of assets in return and without a requirement for repayment.

**Internal Control Framework:** An integrated set of policies and procedures designed to assist management to achieve its goals and objectives. To be truly comprehensive, a government’s internal control framework must (a) provide a favorable control environment, (b) provide for the continuing assessment of risk, (c) must provide for the design, implementation, and maintenance of effective control-related policies and procedures, (d) must provide for the effective communication of information, and (e) must provide for the on-going monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

**Internal Service Funds:** Proprietary Fund Type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

**Inventory:** A detailed list showing quantities, descriptions and values of property, and, frequently, units of measure and unit prices.

**Investments:** Securities and real estate held for the production of revenues in the form of interest, dividends, rentals or lease payments. The term does not include fixed assets used in governmental operations.

**Investment Activities:** Term used in connection with cash flows reporting. Investing activities include making and collecting loans (except program loans) and acquiring and disposing of debt or equity instruments.

**Investment Earnings:** Revenue earned from the investment of idle public funds.

**Investment Policy:** A concise and clear statement of the objectives and parameters by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

**Joint Powers Authority (JPA):** The Joint Exercise of Powers Act authorizes local public agencies to exercise common powers and to form joint powers authorities (“JPA”) for the purpose of jointly receiving or providing specific services.

**LAIF (Local Agency Investment Fund):** A special fund in the State Treasury which local agencies may use to deposit funds for investment. State law prohibits LAIF from impounding any depositor’s funds and prohibits the fund from declaring bankruptcy. The LAIF fund is highly liquid in addition to being considered one of the most conservative of all investments. State statutes define and authorize the permissible investments of the fund.

**Land:** A fixed asset account which reflects the cost of land owned by the City of Twentynine Palms, the Twentynine Palms Redevelopment Agency or the Twentynine Palms Public Finance Authority.

**Landscaping and Light Act of 1972:** The 1972 Act lets cities, counties and special districts levy assessments for land purchase and the construction, operation, and maintenance of parks, landscaping, lighting, traffic signals and graffiti abatement.

**Landscape and Lighting Assessment District:** An area of the City established in accordance with State law where residents pay an annual assessment for a service which specifically benefits them. This area of the law is much broader in defining services eligible for funding than that portion of the law relating to Benefit Assessment Districts (BAD). As such, a broader range of services are funded by Landscaping and Lighting Assessment Districts including park maintenance, street lighting and graffiti removal.

**Lapse Period:** A specified time at the beginning of a given budget period during which encumbrances outstanding at the end of the prior budget period may be liquidated using the prior year’s budgetary authority. Many governments avoid the use of a lapse period by automatically appropriating as part of each new budget an amount sufficient to cover encumbrances outstanding at the end of the prior budget period.

**Levy:** (Verb) To impose taxes, special assessments or service charges for the support of governmental activities; (noun) the total amount of taxes, and/or special assessments and/or service charges imposed by a governmental agency.

**Licenses and Permits:** Charge designated to reimburse City for costs of regulating activities being licensed, such as licensing of animals, bicycles, etc.

**Lien:** A claim on assets, especially property, for the payment of taxes or utility service charges.

**Limited Obligation Bonds:** Similar to general obligation bonds except that security for the issuance is limited exactly to the revenues pledged in the bond statement and not to the full faith and credit of the City.

**Liquidity:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**Local Government Investment Pool:** An investment by local governments in which their money is pooled as a method for managing local funds.

**Machinery and Equipment:** Tangible property of a more or less permanent nature, other than land or buildings, and improvements thereon. Examples are machinery, tools, trucks, automobiles, furniture, and furnishings.

**Maintenance of Effort (MOE):** A requirement, often as a condition of an intergovernmental subvention or supplemental tax, to maintain a level of spending at a certain level. Maintenance of Effort (MOE) requirements are intended to prevent or limit the use of the additional revenues to supplant existing revenues such that the new revenues result in an increase in the level of program spending and services.

**Major Fund:** A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The General Fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 % of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

**Major Program:** Term used in the context of Single Audits. As part of the Single Audit, the independent auditor must gain an understanding of internal controls over compliance for each major federal award program and then test those controls. In addition, the independent auditor must render an opinion on whether the government complied with laws, regulations, and provisions of controls or grant agreements that could have a direct and material effect on each federal award program

**Mark-to-Mark:** The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**Market-Based Pricing:** Recent trend in pricing public services which uses the marketplace to regulate individual consumer behaviors consistent with overall societal goals by including the true cost of the service on society.

**Market Risk:** The risk that the value of a security will rise or decline as a result of changes in market conditions.

**Market Value:** (1) What a willing seller could reasonably expect to receive if he or she were to sell the property on the open market to a willing seller; (2) current market price of a security.

**Marks-Roos Bonds:** Bonds authorized by the Marks-Roos Local Bond Pooling Act of 1985 which provide local agencies with flexible financing powers through participation in joint powers authorities.

**Matching Requirement:** A requirement that a grant recipient contribute resources to a program that equals or exceed a predetermined percentage of amounts provided by the grantor.

**Material Weakness:** A reportable condition (internal control weakness) of such magnitude that it could potentially result in material misstatement of financial statements.

**Materiality:** The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. The objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a "material" effect on the entity's reported operating results and financial position, but that would influence or change the judgment of a reasonable person about how the government has conducted its affairs during the period.

**Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.

**Measurement Focus:** The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources, but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, Proprietary Fund financial statements, and Fiduciary Fund financial statements is economic resources. The measurement focus of Governmental Fund financial statements is current financial resources.

**Mello-Roos Bonds:** Bonds allowing cities, counties, school districts and special districts to finance certain public capital facilities and services, especially in developing areas and areas undergoing rehabilitation. Property owners in the Mello-Roos district pay an annual special tax which is included on the property tax bill.

**Mello-Roos Community Facilities Tax:** Special non ad valorem tax imposed to finance public capital facilities and services in connection with new development.

**Modified Accrual Basis:** The accrual basis of accounting adapted to the Governmental Fund Type-Spending Measurement Focus. Under it, revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are recognized when the related fund liability is incurred except for the following: (1) inventories of materials and supplies which may be considered expenditures either when purchased or when used; (2) prepaid insurance and similar items which need not be reported; (3) accumulated unpaid vacation, sick pay and other employee benefit amounts which need to be recognized in the current period, but for which larger-than-normal accumulations must be disclosed in the notes to the financial statements; (4) interest on special assessment indebtedness which may be recorded when due rather than accrued, if approximately offset by interest earnings on special assessment levies; and (5) principal and interest on long-term debts which are generally recognized when due. All government funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

**Money Market Investment:** A short-term, highly liquid debt instrument, including commercial paper, bankers acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term.

**Motor Vehicle License Fee (VLF):** The motor vehicle license fee (VLF) is a fee for the privilege of operating a vehicle on public streets. The VLF is levied annually at 2% of the market value of motor vehicles and is imposed by the state "in lieu" of local property taxes. VLF is also called Motor Vehicle In-Lieu Tax.

**Municipal Facilities Development Impact Fee:** A development impact fee levied upon new development to offset the impact that new development has upon specific City facilities and services.

**National Association of Securities Dealers (NASD):** A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**National Council on Governmental Accounting (NCGA):** The immediate predecessor of the GASB as the authoritative accounting and financial reporting standard-setting body for state and local governments. The NCGA issued seven statements and 11 interpretations prior to its dissolution in June 1984. These statements and interpretations remain in effect unless superseded by a subsequent GASB pronouncement.

**Negotiated Sale:** What the price to be paid for land and improvements is mutually agreed upon by buyer and seller.

**Net Asset Value:** The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which include securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

**Net Income:** Proprietary fund excess of operating revenues, non-operating revenues, operating transfers-in over operating expenses, non-operating expenses, and operating transfers-out.

**Nexus:** In general, a minimum threshold of connection necessary within a taxing jurisdiction to allow taxing authority over out-of-state individuals or businesses. Requirement of Government Code Sections 66000 et seq. that there be a reasonable connection (“nexus”) between required development impact fees and the development project in question.

**Nominal Yield:** The stated rate of interest that a bond pays its current owner, based on per value of the security. It is also known as the “coupon”, “coupon rate”, or “interest rate.”

**Non-Operating Revenues:** Proprietary Fund revenues which are directly related to the funds primary service activities. They consist primarily of user charges for services.

**Number of Funds Principle:** The principle that only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

**Offer:** An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the “Ask Price.”

**Operating Activities:** Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, non-capital financing, or investing activities.

**Operating Income:** The excess of proprietary fund operating revenues over operating expenses.

**Operational Accountability:** Governments’ responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for this purpose, and whether they can continue to meet their objectives for the foreseeable future.

**Original Budget:** The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances.

**Ordinance:** A formal legislative enactment by the governing board of a municipality. If it is not in conflict with any higher form of law, such as a statute or a constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is the latter requires less legal formality and has a lower legal status. Ordinarily, the statutes or charter will specify or imply those legislative actions which must be by ordinance and those which may be by resolution. Revenue raising measures such as the imposition of taxes, special assessments, and service charges universally require ordinances.

**Other Financing Source:** An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

**Other Financing Use:** A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the other financing uses category is limited to items so classified by GAAP.

**Outcome Measures:** Term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments or results that occur (at least partially) because of services provided. Results also include measure of public perceptions of outcomes.

**Output Measures:** Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the quantity of service provided and measures of the quantity of a service provided that meets a certain quality requirement.

**Overlapping Debt:** Proportionate share that property within a government must bear the debts of other local governments located wholly or in part within the geographic boundaries of the City of Twentynine Palms. Except for special assessment debt, the amount of debt of each unit applicable to the City of Twentynine Palms is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

**Par:** Face value or principal value of a bond, typically \$1,000 per bond.

**Parcel Tax:** Special non ad valorem tax on parcels of property generally based on either a flat per-parcel rate or a variable rate depending on the size, use and/or number of units on the parcel.

**Pass Through Agreements:** Agreements entered into by the redevelopment agency (RDA) whereby some or all of the tax increment originating from a particular taxing agency is refunded.

**Pension Plan:** An arrangement for the provision of pension benefits in which all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined in the terms of the plan.

**Pension Trend Data:** Actuarially based data over time concerning the funding progress of a defined benefit pension plan and employer's actual and annual required contributions to the plan.

**Performance Audit:** Auditing designed to evaluate the effectiveness or efficiency of an organization, program, or activity.

**Performance Measurement:** Commonly used term for service efforts and accomplishments reporting.

**Portfolio:** Collection of investment securities held by the City of Twentynine Palms, the Twentynine Palms Redevelopment Agency or the Twentynine Palms Public Finance Authority.

**Positive Yield Curve:** A chart formation that illustrates short-term securities having lower yields than long-term securities.

**Possessory Interest:** Taxable private ownership of interest in tax-exempt public property.

**Primary Government:** Term used in connection with defining the financial reporting entity. A state government or general purpose local government such as the City of Twentynine Palms is a primary government.

**Prime Rate:** A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**Principal:** The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**Private-Purpose Trust Funds:** A Fiduciary Trust Fund Type used to report all trust arrangements, other than those properly reported in Pension Trust Funds or Investment Trust Funds, under which principal and income benefit individuals, private organizations, or other governments.

**Program:** Group activities, operations or organizational units directed to attaining specific purposes or objectives.

**Project Area:** The area which is designated in the redevelopment plan for redevelopment and revitalization.

**Property Related Fee:** A levy imposed on a parcel or upon a person as an incident of property ownership for property-related service.

**Property Tax:** An ad valorem tax imposed on real property (land and permanently attached improvements) and tangible personal property (movable property).

**Property Tax In Lieu of Vehicle License Fee (VLF):** Property tax shares and revenues allocated to cities and counties beginning in FY2004-2005 as compensation for Vehicle License Fee (VLF) revenues previously allocated to cities and counties by the state.

**Proposition 1A (2004):** Voter approved state constitutional amendment protecting most major city, county and special district revenues from reduction or shifting by the State Legislature.

**Proposition 1A (2006):** Voter approved Constitutional amendment protecting the local allocation of state transportation sales tax revenues under Proposition 42 from reduction or shifting by the State Legislature.

**Proposition 4 (1979):** Also called the Gann Initiative. This initiative is now Article XIII B of the State Constitution, was drafted to be a companion measure to Proposition 13, Article XIII A of the Constitution. Article XIII B limits growth in government spending to changes in population and inflation.

**Proposition 8 (1978):** An amendment to Proposition 13, passed in November 1978 to allow County Assessors to recognize declines in value for property tax purposes. Revenue and Taxation Code Section 51 requires the Assessor to annually enroll either a property's Proposition 13 base year value factored for inflation, or its market value as of January 1<sup>st</sup>, whichever is less.

**Proposition 13 (1978):** Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the maximum annual increase of any ad valorem tax on real property to 1% of the full cash value of such property.

**Proposition 42 (2002):** Voter approved measure that directs the State Legislature to allocate revenues derived from the taxable sales of gasoline to certain transportation programs including cities and counties.

**Proposition 98 (1990):** This measure establishes a minimum level of funding for public schools and community colleges and provides that any state revenues in excess of the appropriations limit be spent on schools.

**Proposition 111 (1994):** Voter approved measure that increased the state Motor Vehicle Tax by \$0.09 per gallon and made certain adjustments to the spending limits under Proposition 4 (1979).

**Proposition 172 (1993):** A 1993 measure which places a one-half cent sales tax for local public safety in the Constitution effective January 1, 1994. The tax is imposed by the state and distributed to cities and counties.

**Proposition 218 (1996):** A voter approved state Constitutional amendment, self-titled "Right to Vote on Taxes Act" expanded restrictions on local government revenue-raising, allowing voters to repeal or reduce taxes, assessments, fees, and charges through the initiative process; reiterating the requirement for voter approval for

both “special taxes” and “general taxes,” and imposing procedural and substantive limitations on assessments of real property and on certain types of fees.

**Proprietary Funds:** Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of Proprietary Funds: Enterprise Funds and Internal Service Funds.

**Prudent Person Rule:** An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called—“legal list”. In other states, the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**Principal:** “Face or “par value” of an instrument. It does not include accrued interest.

**Rate of Return:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity; on a bond, the current income return.

**Real Property:** Land and permanently attached improvements.

**Redevelopment:** Planning, development, re-planning, redesign, clearance, reconstruction, or rehabilitation of all or part of a project area.

**Redevelopment Agency:** The legislative body of the City of Twentynine Palms designated to act on behalf of the City to direct the redevelopment of designated areas of the City of Twentynine Palms in order to remove urban blight and enhance economic development.

**Redevelopment Plan:** Plan adopted by the Redevelopment Agency for revitalization and redevelopment of land within the project area in order to eliminate blight and remedy conditions which caused it.

**Rehabilitation:** To improve, alter, modernize or modify an existing structure to make it safe, sanitary, and decent and/or bring it up to building code standards.

**Reimbursement Grant:** A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as “expenditure-driven grants.”

**Reimbursement for State Mandated Costs:** Article XIII B, Section 6 of the California Constitution which requires the state to reimburse local agencies for the cost of state-imposed programs. Process is commonly called “SB 90” after its original 1972 legislation.

**Regulatory Fee:** A charge imposed on a regulated action to pay for the cost of public programs or facilities necessary to regulate a business or other activity or mitigate the impacts of the fee payer on the community. A regulatory fee does not include a charge on a property or a property owner solely due to property ownership.

**Reliability:** The principle that financial information should be verifiable, free from bias, and faithfully represent what it purports to represent.

**Relocation:** The effort to assist and facilitate re-housing of families and single persons, businesses or organizations who are displaced due to redevelopment activities.

**Relocation Assistance:** Relocation payments to help families, individuals, businesses, and non-profit organizations which are displaced as a result of redevelopment activities. This includes aid in finding a new location, payments to help cover moving costs, and additional payments for certain other costs.

**Rents:** Revenues received through the rental of public properties to private parties such as convention space and library facilities.

**Repurchase Agreement (repo or RP):** An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

**Reserved Fund Balance:** The portion of a Governmental Fund's net assets that is not available for appropriation.

**Resolution:** A special or temporary order of the legislative body requiring less formality than an ordinance.

**Restricted Assets:** Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**Restricted Net Assets:** A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

**Retained Earnings:** Equity resulting from provision of goods and services. Proprietary fund equity is divided into "contributed capital" and "retained earnings."

**Revenue Bonds:** Bonds whereby the principal and interest are payable exclusively from the earnings of an Enterprise Fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the Enterprise Fund's property.

**Revenues:** Increases in governmental fund type net current assets from other than expenditures refunds and residual equity transfers. Under NCGA Statement 1, general long-term debt proceeds and operating transfers-in are classified as "other financing sources" rather than revenues. Increases in proprietary fund type net total assets from other than expense refunds, capital contributions, and residual equity transfers. Under NCGA 1, operating transfers-in are classified separately from revenues.

**Reverse Repurchase Agreement (Reverse Repo):** An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

**Safekeeping:** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**Sales Tax:** A tax imposed on the total retail price of any tangible personal property.

**Secured Property:** As the property tax is guaranteed by placing a lien on the real property, secured property is that real property in which the value of the lien on the real property and personal property located thereon is sufficient to assure payment of the tax.

**Secured Roll:** That property tax list containing all assessed property secured by land subject to local taxation.

**Securities:** Investment instruments such as bonds, stocks and other instruments of indebtedness or equity.

**Serial Bond:** A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

**Service Charges:** Charges imposed to support services to individuals or to cover the cost of providing such services. The fees charged are limited to the cost of providing the service or regulation required (plus overhead).

**Short-Term Financing Methods:** Techniques used for many purposes, such as meeting anticipated cash flow deficits, interim financing of a project, and project implementation. Using these techniques involves issuance of short-term notes. Voter approval is not required.

**Sinking Fund:** Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

**Single Audit:** An audit performed in accordance with the Single Audit Act of 1984 (as amended) and the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal grantor agencies. The Single Audit Act was amended in 1996.

**Special Assessment:** A compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

**Special Assessment District (SAD):** A geographic area established by notice of the City Council and with public approval for the purpose of making capital improvements such as the construction of streets or sidewalks, or to accomplish some other public good through the financial participation and assessment of property owners within the area.

**Special Revenue Fund:** A fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditures for specified purposes. Under NCGA Statement 1, the use of Special Revenue Funds is required only when legally mandated.

**Special Tax:** A tax that is collected and earmarked for a special purpose and deposited into a separate account. A two-thirds vote of the electorate is required to impose, extend or increase any special tax.

**Standby Charge:** A compulsory charge levied upon real property to defray in whole or in part the expense of providing operating or maintaining public improvements. The charge is “exactd for the benefit which accrues to property by virtue of having water [or other public improvements] available to it, even though the water might not be used at the present time.” Proposition 218 classifies standby charges as “assessments” which must be imposed in compliance with Section 4.25 of Article XIII B of the State Constitution.

**Street Lighting Act of 1919:** Act authorizing cities to fund the maintenance and operation of street lights.

**Subventions:** Subsidy or financial support received from county, state or federal government. The state and county currently levy certain taxes that are “subvened” to cities, including motor vehicle license fees, state mandated costs and motor vehicle fuel tax, and Supplemental Law Enforcement Services Fund (SLESF).

**Supplemental Property Tax:** In the event a property changes ownership, the county collects a supplemental property tax assessment in the current tax year by determining a supplemental value. In future tax periods, the property carries the full cash value.

**Swap:** Trading one asset for another.

**Tangible Personal Property:** Movable property.

**Tax Allocation Bond:** A bond or financial obligation issued by the agency in order to generate funds to implement the redevelopment plan. The bond is repaid with tax increment flowing to the agency as a result of the agency’s revitalization of the project area.

**Taxes:** Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against a particular person or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered on to those paying such charges as, for example, sewer service charges.

**Tax-Anticipation Notes:** Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

**Tax Base:** The objects or transactions to which a tax is applied (e.g., parcels of property, retail sales, etc.). State law or local ordinances define the tax base and the objects or transactions exempted from taxation.

**Tax Increment:** The increase in property taxes within the redevelopment project area that result from increases in the project area assessed value that exceeds the base year assessed value.

**Tax-Increment Financing:** Financing secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area.

**Tax Rate:** The amount of tax applied to the tax base. The rate may be flat, incremental or a percentage of the tax base, or any other reasonable method.

**Teeter Plan:** Enacted in 1949, an alternative method for allocating delinquent property tax revenues, authorized by Revenue and Taxation Code Section 4701, in which the County Auditor allocates property tax revenues based on the total amount of property taxes billed, but not yet collected. The county government then collects and keeps the delinquency, penalty and interest payments.

**Timeliness:** The principle that financial statements must be issued soon enough after the reported events to affect decisions.

**Total Return:** The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.  $(\text{Price Appreciation}) + (\text{Dividends Paid}) + (\text{Capital Gains}) = \text{Total Return}$ .

**Transactions and Use Tax:** Also known as an “add-on local sales tax,” a tax imposed on the total retail price of any tangible personal property and the use or storage of such property when sales tax is not paid.

**Transient Occupancy Tax (TOT):** Tax levied by cities on persons staying 30 days or less in a room(s) in a hotel, inn, motel, tourist home, non-membership campground or other lodging facility. Also called “Transient Lodging Tax” or “Hotel Tax.”

**Treasury Bills (T-Bills):** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**Treasury Bond:** Long-term U.S. Treasury securities having initial maturities of more than ten years.

**Treasury Notes:** Intermediate-term coupon bearing U.S. Treasury securities having initial maturities from one year to ten years.

**Triple Flip:** A mechanism used to repay state fiscal recovery bonds pursuant to Proposition 57 of 2004. Under the triple flip, the local sales and use tax rate is reduced from 1% to 0.75% with the 0.25% diverted to repay state fiscal recovery bonds. Cities and counties are reimbursed for the lost revenue from a shift of property tax revenue.

**Understandability:** The principle that information in financial reports should be expressed as simply as possible.

**Undesignated Unreserved Fund Balance:** Available expendable financial resources in a Governmental Fund that are not the object of tentative management plans (i.e., designations).

**Unearned Revenue:** A type of deferred revenue account used in connection with resources that have not yet been earned.

**Unfunded Actuarial Accrued Liability:** The excess of the actuarial accrued liability over the actuarial value of assets. This value may be negative, in which case it may be expressed as a *negative unfunded actuarial accrued liability*, the *excess of actuarial value of assets over the actuarial accrued liability*, or the *funding excess*.

**Unqualified Opinion:** An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

**Unrealized Revenues:** Term used in connection with budgeting. The difference between estimated revenues and actual revenues.

**Unrestricted Net Assets:** That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

**Unsecured Property:** As the property tax is guaranteed by placing a lien on the real property, unsecured property is that real property in which the value of the lien is not sufficient to assure payment of the property tax.

**Use Tax:** A tax imposed on the use or storage of tangible personal property when sales tax is not paid.

**User Fee:** Fees charged for the use of a public service or program such as for recreation programs or public document retrieval. User fees for property-related services are referred to as property-related fees.

**Utility Connection Fee:** Utility connection fees or capacity fees are imposed on the basis of a voluntary decision to connect to a utility system or to acquire the right to use additional capacity.

**Vehicle License Fee—Property Tax Swap:** The trade of most city and county vehicle license fee (VLF) revenue for additional property tax share and revenue.

**Volatility:** A degree of fluctuation in the price and valuation of securities.

**Voter Approved Property Tax for Indebtedness:** Includes ad valorem property taxes levied in addition to the 1% rate for voter approved debt, approved prior to July 1, 1978 or after July 1, 1986.

**Yield:** The total amount of revenue a government expects to receive from a tax, determined by multiplying the tax rate by the tax base. Also, the annual rate of return on an investment, expressed as a percentage of the investment.