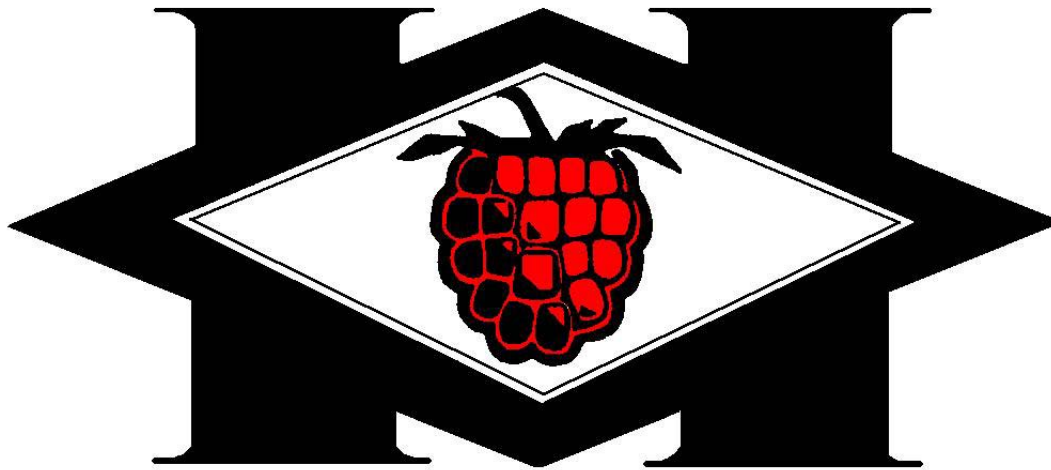


*City of Hopkins, Minnesota*

# Annual Budget

January 1 - December 31, 2010



*Partnering with the community to enhance the quality of life*



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# CITY OF HOPKINS

## GLOSSARY OF TERMS

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

**Adopted Budget** – The financial plan of revenues and expenditures for a fiscal year as adopted by the City Council.

**Appropriation** – A specific amount of money authorized by the City Council, generally during adoption of the annual budget, used to make expenditures for specific purposes.

**Ad Valorem Tax** – Money collected from all the real property within the City based upon the value of the property.

**Annual Budget** – The budget authorized by resolution of the City Council for the fiscal year.

**Appropriation** – Authorization by the City Council to incur obligations and spend City funds. Appropriations are usually made for fixed amounts and are typically granted for one year.

**Assets** – Property owned by a government which has a monetary value.

**Assessed Valuation** – A value established by the City Property Appraiser for all real or personal property for use as a basis for levying property taxes.

**Balanced Budget** – A budget in which expenditures are equal to income.

**Bond** – A written promise to pay a sum of money on a specific date at a specified interest rate as detailed in a bond resolution.

**Bond Proceeds** – Funds received from the sale of any bond issue.

**Budget** – The financial plan for a specific period of time that identifies proposed expenditures and the sources of revenue to pay for them.

**Budget Adjustment** – A revision to the adopted budget occurring during the affected fiscal year as approved by the City Council by an amendment or a transfer.

**Budget Documents** – The official written statement prepared by the Finance Director and supporting staff, which presents the proposed budget to the legislative body.

**Budget Calendar** – The schedule of key dates involved in the process of adopting and executing an adopted budget.

## CITY OF HOPKINS

**Budget Message** – The opening section of the budget which provides the City Council and the public with a general summary of the most important aspects of the budget, changes from the current and previous fiscal years, as well as the views and recommendations of the City Manager.

**CDBG Community Development Block Grant** – This fund receives and expends the City’s allocation of the Federal Community Development Block Grant Program money.

**Capital Asset** – Assets of significant value and having a useful life of several years. Capital assets are also called fixed assets.

**Capital Improvement Program (CIP)** – A five year schedule of capital improvement projects and the means of financing them. This is a flexible budget document that is used as a planning tool for needed improvements. Amounts approved in the CIP are considered guidelines and are not officially adopted as budgeted amounts until they are incorporated in the operating budget of one of the City’s funds.

**Capital Outlay** – Expenditures that result in the acquisition of fixed assets that have a value over \$1,000 and a useful life greater than one year.

**Capital Project Funds** – The funds that account for all resources unused for the acquisition or construction of capital facilities, except those financed by Proprietary Funds.

**Certified Levy** – Total tax levy of a jurisdiction, which is certified to the County Auditor.

**Contingency** – A budgetary reserve set aside for emergencies or unforeseen expenditures.

**Contractual Services** – The cost of items related to a contractual agreement. Examples would be professional services such as legal, engineering, actuarial and consultants.

**Court Fines and Forfeits** – Fines imposed on individuals by the courts for various illegal acts performed within the City.

**Debt Service Funds** – the funds that account for the payment of principal and interest on outstanding debt for the City.

**Deficit** – The excess of expenditures over revenues.

**Department** – Basic organizational unit of City government, responsible for carrying out a specific function.

**Depreciation** – Expenditures incurred when spreading the cost of an asset over its estimated useful life rather than deducting the entire cost in the year the asset is purchased.

## CITY OF HOPKINS

**Enterprise Fund** – The funds that account for the financing of self-supporting activities of governmental units and render services to the general public based on user charges.

**Estimated Market Value** – Represents the selling price of a property if it were on the market. Estimated market value is converted to tax capacity before property taxes are levied.

**Expenditure** – Decreases in financial resources other than through interfund transfers.

**Fiscal Disparities** – The program created by the Metropolitan Fiscal Disparities Act which shares growth in the commercial-industrial tax base in the seven county metropolitan area. Forty percent of the value of new commercial-industrial development since 1971 is pooled and redistributed among the 300 taxing districts to address uneven business development throughout the region.

**Fiscal Year** – For budgeting purposes the City’s fiscal year is the calendar year.

**Fixed Asset** – Purchases of a long-term nature, which are to be held and used. Examples would be land, buildings, machinery, furniture and equipment.

**FTE** – Equivalent of one employee working fulltime, or 2,080 hours per year. A FTE can be filled by any number of employees whose combined hours total 2,080 per year.

**Fund** – A separate accounting entity, with a set of self-balancing accounts for recording the collection of revenues and the payment of expenditures to carry out a specific function.

**Fund Balance** – Difference between fund assets and fund liabilities (the equity) in governmental funds. Fund balances will be classified as reserved or unreserved.

**Reserved funds** – Legally segregated for specific use. They are not available for discretionary appropriation due to third party claim or due to the nature of the asset.

**Unreserved funds** – Designated funds – To establish tentative plans for or restrictions on the future use of financial resources. Undesignated funds – The funds remaining after reduction for reserved and designated balances.

**GASB (Governmental Accounting Standards Board)** – It is the highest source of accounting and financial reporting guidance for state and local governments.

**General Fund** – The largest fund in the City, the General Fund accounts for most of the City’s financial resources. General Fund revenues include: property taxes, licenses and permits, local taxes, service charges and other types of revenues. This is the fund that accounts for the revenues and expenditures necessary to deliver basic operating services: police, fire, finance, parks, public works, etc.

## CITY OF HOPKINS

**General Obligation Bonds** – When a government pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (GO) bonds. Sometimes the term is also used to refer to bonds with are to be repaid from taxes and other general revenues.

**GFOA (Government Finance Officers Association)** – the professional association of state and local finance officers in the United States who are dedicated to the sound management of government financial resources. The association sets program standards for the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

**Governmental Funds** – The General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

**HBCA** – Hopkins Business and Civic Association, ensures a strong economic development climate, provides promotional activities, encourages community involvement and fosters a sense of community among individuals, civic organizations and businesses

**Indirectly Funded Amount** – The portion of appropriates not funded by program revenues such as fees and grants. This portion is funded from shared revenues such as property tax, governmental revenues or a city-wide fee not directly attributed to any one program.

**Interest Earnings** – Interest received from the investment of cash in a fund.

**Intergovernmental Revenues** – Funds received from State or Federal governments in the form of grants or shared revenues for various activities.

**Internal Service Funds** – The funds within the Proprietary Fund that account for the financing of goods or services provided by one department or agency to other departments or agencies of a government.

**IT** – Information Technology Department of the city. This department provides computer technology support to all city departments.

**Levy** – To impose taxes, special assessments or service charges.

**Licenses** – Revenues received by the issuance of various licenses that are granted to various businesses in the City.

**Local Government Aid (LGA)** - Money given to the City from the State based on a formula that was originally designed to provide tax relief and equalization among cities.

**LMC** – The League of Minnesota Cities is a membership organization dedicated to promoting excellence in local government. The League serves its more than 800 member cities through advocacy, education and training, policy development, risk management, and other services.

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**LRT** – Light Rail Transit, a commuter train system in the Minneapolis/St. Paul metropolitan area.

**Major Account Series** – Three classifications of expenditures made by the City.

**Salaries, Wages and Benefits** – Costs relating to employees or temporary help, including fringe benefits.

**Materials, Supplies and Services** – Costs relating to articles of non-durable nature, such as office supplies; professional and technical services; utilities and maintenance; operations and city support services.

**Capital Outlay** – Costs of durable goods such as furniture and equipment.

**Reimbursed Expenditures** – Offset against costs for services provided by one fund to another fund.

**Market Value Homestead Credit (MVHC)** – Started in 2002, this is the primary State program for property tax relief. The State remits a portion of sales and income taxes to local government to assist in keeping property taxes down.

**MCES** – Metropolitan Council Environmental Services provides the City with wastewater service.

**Miscellaneous Revenue** – Funds collected from various sources generally on a non-recurring basis.

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

**Net Assets** – The equity associated with general government less liabilities.

**Operating Expenditure** – Expenditure classifications based upon the types of categories of goods and services purchased. Typical objects include: personal services (salaries and wages); contracted services (utilities, maintenance, contracts, travel); supplied and materials; and capital outlay.

**Operating Budget** – Financial plan for the fiscal year, which authorizes proposed personnel complements, expenditures and the revenues to finance them.

**Penalties** – Charges to utility customers caused by late payment of their water, sewer, and refuse bills.

**Permits** – Revenue derived from various permits as defined in the City Code, for the performance of a specific action. For example, building a house.

**Personal Services** – The cost of salaries and wages paid to employees as well as the fringe benefits associated with employment (i.e. Social Security, PERA, health insurance, life insurance, etc.).

**Program** – Within each Department are several divisions or programs in the City, each charged with carrying out a specific function.

## CITY OF HOPKINS

**Proposed Budget** – Budget as submitted by the City Manager to the City Council.

**Proprietary Funds** – The funds that account for government operations financed and operated in a manner similar to a private business.

**Refuse Service** – Revenue incurred from the sale of trash pick-up and disposal, leaf pick-up, yard waste and recycling to residential customers of the City.

**Retained Earnings** – An equity account reflecting the accumulated earnings of the City’s Proprietary (Enterprise) Funds.

**Sewer Service** – Revenue incurred from the sale of sanitary sewer service to customers of the utility.

**Special Assessment** – Receipts from assessments placed on property within the City for public improvements that have benefited that property.

**Special Revenue Funds** – A fund that accounts for revenues derived from specific taxes or other earmarked revenue sources.

**Storm Sewer Sales** – Revenue derived from a storm sewer utility fee assessed property owners based on the amount of impervious surface on their property. Revenues are used to maintain and improve the City’s storm sewer system.

**Tax Capacity** – County tax base for the purposes of levying property taxes. Properties are assigned rates at which their values will be converted into the tax base, (see tax classification rate).

**Tax Capacity Rate** – Tax rate applied to tax capacity to generate property tax revenue. The rate is obtained by dividing the property tax levy by the available tax capacity.

**Tax Classification Rate** – Rates at which estimated market values are converted into the property tax base. The classification rates are assigned to properties depending on their type.

**Tax Increment Financing** – Financing tool originally intended to combat severe blight in areas which would not be redeveloped “but for” the availability of government subsidies derived from locally generated property tax revenues.

**Tax Increments** – The value of local taxes collected on a redeveloped or developed property, above the base year taxes.

**TIF** – An abbreviation for Tax Increment Financing.

**TOD** – Transit Orientated Development

## CITY OF HOPKINS

**Transfers** – Funds transferred between City funds.

**Truth-in-Taxation** – Procedures adopted by the 1998 Minnesota Legislature intended to improve accountability in the adoption of the budget and property tax levy of local governments. These procedures are revised annually.

**Truth-in-Taxation Public Hearing** – Statutory requirement for most local governments to hold public hearings on their proposed budgets and property tax levies.

**Water Sales** – Revenue earned from the sale of water to customers of the utility.

**Working Capital** – Current assets minus current liabilities. This measure is used as a gauge in determining appropriate fund balances.