



Town of Yountville

"The Heart of the Napa Valley"

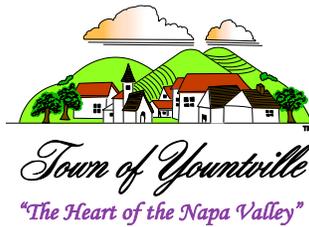
Budget Overview

Section 5

BUDGET DEFINITIONS

Glossary

Fund Descriptions



Glossary of Budget Terms

Account: A record of additions, deletions, and balances of individual assets, liabilities, equity, revenues, and expenses.

Accounting System: The set of records and procedures that are used to record, classify, and report information of the financial status and operations of an entity.

Adopted Budget: The Town Council approved annual budget establishing the legal authority of the expenditure of funds as set forth in the adopting Council budget resolution.

Appropriation: Money set aside by the Town Council for a specific purpose. Provides designated spending authority to the Town Manager to approve or oversee approval of the appropriated expenditures.

Audit: An annual examination and evaluation, done by an independent Certified Public Accountant (CPA), of the Town's accounting system to ensure conformity with generally accepted accounting principles. In conjunction with performing an audit, independent auditors normally issue a Management Letter stating the adequacy of the Town's internal controls as well as recommending improvements to the Town's financial management practices.

Balanced Budget: When the total of revenues and other financing sources is equal to or greater than the total of expenditures and other financing uses.

Basis of Accounting & Budgeting: A method used to determine when revenues, expenditures, transfers, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. The three basis of accounting for governmental agencies are (1) Cash Basis – when cash is received or paid; (2) Accrual Basis – when the underlying transaction or event takes place; (3) Modified Accrual Basis – revenues and expenditures are recognized in the accounting period in which they become available and expenditures are recognized in the accounting period in which the fund liability occurred. The Town of Yountville uses a modified accrual basis for our governmental funds and an accrual basis for our enterprise funds.

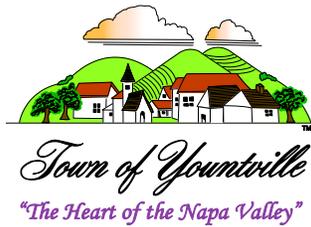
Budget & Fiscal Policies: General and specific guidelines adopted by the Town Council that govern budget preparation and fiscal administration.

Capital Improvement Program: A rolling multiple-year program for maintaining or replacing existing public facilities and assets, and for building or acquiring new ones. The Town of Yountville follows a five-year schedule, and the annual budget incorporates the current year of the five-year CIP.

Certificate of Participation: Form of lease-purchase financing used to construct or acquire capital facilities and equipment.

Charges for Service: Revenues collected as reimbursement for services provided to the public or to some other program/fund in the Town.

Comprehensive Annual Financial Report (CAFR): An annual government financial statement that provides a thorough and detailed presentation of the government's financial condition.



Consumer Price Index (CPI): A measure of inflation of the price of consumer goods and services.

Debt Service: The payments of principal and interest on bonds and other debt instruments according to a predetermined schedule.

Deficit: An excess of expenditures or expenses over revenues or resources during an accounting period.

Department: An organizational unit of the Town government responsible for carrying out specific functions. In the Town's structure, certain "departments" are actually divisions of a multipurpose department.

Encumbrances: Commitments against an approved budget to pay funds in the future for a service or item. They cease to be encumbrances when the obligations are paid or terminated. The use of encumbrances prevents overspending and provides budgetary control to the organization.

Expenditure: The actual spending or accrual of funds set aside by an appropriation for goods and services obtained.

Fiscal Year: A 12 month period to which the annual budget applies, and financial transactions are recorded. The Town of Yountville's fiscal year begins July 1 and ends June 30.

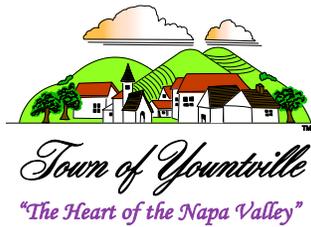
Full –Time Equivalent (FTE): The amount of time a position has been budgeted for in terms of the amount of time a regular, full-time employee normally works in a year. Full-time employees are paid for 2,080 hours in a year equating 1.0 FTE. A part-time employee who worked 1,040 hours would equate to 0.5 FTE. Elected positions are budgeted but not included in FTE totals.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts in which the Town records financial transactions relating to revenues, expenditures, assets and liabilities. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives. The fund types used by the Town of Yountville are governmental funds (General, Capital Projects & Special Revenue), Enterprise Funds (Water Utility & Wastewater Utility) and an Agency Fund. *See Fund Descriptions on page 84 for a more detailed description of the Town's funds.*

Fund Balance: The excess of a fund's assets over its liabilities.

GANN Appropriations Limit: Article X111-B of the California State Constitution provides limits regarding the total amount of appropriations in any fiscal year from tax proceeds.

General Fund: The primary operating fund of the Town, all revenues that are not allocated by law or contractual agreement to a specific fund are accounted for in the General Fund, and may be utilized for any legitimate governmental purpose.



Generally Accepted Accounting Principles (GAAP): Conventions, rules, and procedures that serve as standards for accounting and the fair presentation of financial statements. The primary authoritative body on the application of GAAP to state and local government is the Governmental Accounting Standards Board.

Governmental Accounting Standards Board (GASB): Ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

Interfund Transfer: Money transferred from one fund to another, to finance the operations of another fund or reimburse the fund for certain expenditures/expenses.

Measure A: An ordinance of the Napa County Flood Protection and Watershed Improvement Authority, imposing a ½% Napa County Flood Protection Transactions (Sales) and Use Tax. Currently scheduled to sunset in 2018.

Municipal Code: A document that codifies the Town Council approved ordinances currently in effect. The Code defines Town policy with respect to all areas of municipal jurisdictions and administration.

Ordinance: A formal legislative enactment by the Town Council. It has the full force and effect of law within Town boundaries unless pre-empted by a higher form of law. An Ordinance has a higher legal standing than a Resolution and is typically codified in the Town's Municipal Code.

Other Post Employment Benefits (OPEB): Post employment benefits other than pension benefits. The Town's OPEB includes post employment healthcare benefits for employees that meet the vesting requirements.

Public Employers Retirement System (PERS): State of California's (CalPERS) public pension system that provides contract retirement and health benefits to government agencies.

Reserve: An account which the Town uses to either set aside funds that it does not need to spend in the current fiscal year or to earmark revenues for a specific future purpose.

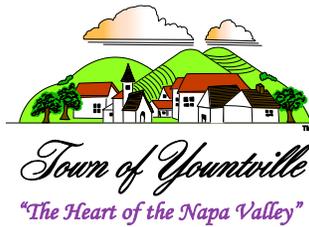
Resolution: A special order of the Town Council which has a lower legal standing than an ordinance.

Revenues: Income received by the Town during the fiscal year. Some examples of revenue include taxes, fees, charges for services and grants.

Special Revenue Funds: A fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Tourism Improvement District (TID): A benefit assessment district created by the County of Napa which includes all incorporated jurisdictions, including the Town of Yountville and unincorporated county. The Napa Valley Tourism Improvement District (NVTID) levies a self-assessment of 2% of gross revenues on short term (less than 30 days) room rental revenue on lodging businesses. The NVTID has a five (5) year life, beginning on July 1, 2010 and ending June 30, 2015.

Transient Occupancy Tax (TOT): A local tax levied on the occupant of any hotel room, in the amount of twelve percent (12%) of the rent charged by the operator. The transient satisfies this tax obligation by paying the tax to the operator.



Fund Descriptions

The basic accounting and reporting entity for the Town is a fund. A fund is an accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities, or fund balances, and changes therein. Funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Funds used in government are classified into three broad categories: governmental, proprietary and fiduciary. Governmental funds include activities usually associated with a typical state or local government's operation (public safety, general governmental activities, etc.) Proprietary funds are used in governments to account for activities that are operated primarily through user fees, similar to the private sector (utilities for examples). Trust and Agency funds are utilized in situations where the government is acting in a fiduciary capacity as a trustee or agent. The various funds are grouped in fund types and categories as follows:

GOVERNMENTAL FUNDS

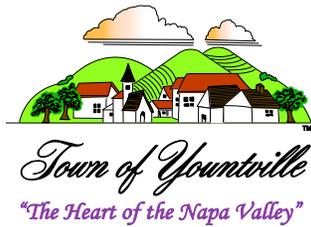
Includes activities usually associated with the governmental entities' operation (police, fire, and general governmental functions). The Town's governmental funds use modified accrual accounting for both financial reporting and budgeting purposes.

General Fund

The General Fund is the chief operating fund of the Town. All general tax revenues and other receipts not allocated by law or some other contractual agreement to other funds are accounted for the General Fund. Expenditures of this fund include the general operating expenses traditionally associated with governments such as administration, finance, engineering, public works maintenance and public safety.

The Town has opted to charge back allocated costs using the General Fund, rather than establishing separate internal service funds. This methodology is used to budget and allocate costs for goods and services provided Town-wide. The Town has three departments where costs are budgeted and allocated:

Information Technology and Telecommunication: This is a department used to budget and account for the costs for the Town's computer system, workstations, laptops, software, printers, copiers and telephone communications. Costs are allocated based on number of devices supported for each operating department.



Risk Management: This department budgets and accounts for the cost of Town’s Risk Management program including liability, property, errors & omissions, employment practices, workers compensation, safety and loss prevention and safety training utilized by all Town departments. Employee related costs are allocated on the same basis as salaries & benefits. Property insurance is allocated based on book value of capital assets for General, Water and Wastewater operating funds.

OPEB – Other Post Employment Benefits: Costs are allocated based on a percentage of full-time salaries. Funds are accounted for in a General Fund sub-fund (02) and are used to pay current retiree health benefits and make payments to prefund the Town’s OPEB liability by making payments to an IRS approved OPEB Trust Fund, which is not included in the budget. The OPEB trust fund is accounted for in the Town’s CAFR as an Agency Fund.

SPECIAL REVENUE

Special Revenue Funds are used to account for specific revenues that are legally restricted to Expenditure for particular purposes and must be accounted for in a fund separate from the General Fund.

Flood Barrier Capital Maintenance Fund: to budget and account for annual maintenance costs associated with construction of Flood Barrier in 2004. Funded by Measure A Sales Tax allocation and a grant received during construction of the flood barrier.

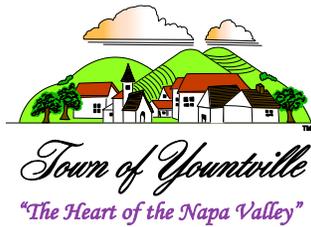
Housing Grant Fund: fund established in 2015 to budget and account for CalHome and federal HOME grant program revenue and expenditures.

Mesa Court Drainage Benefit District Fund: established to correct drainage problems within the area of Mesa Court. The first phase was completed in fiscal year 1999 and was financed by new development in the district.

State Gas Tax Fund: used to account for maintenance and capital expenditures associated with street improvement projects. Funding is provided from State Gas Taxes and Traffic Congestion Relief monies that are restricted to street maintenance and related improvements within the Town.

Tallent Lane Benefit District Fund: established to provide safe and improved access to properties fronting Tallent Lane.

Youth Programs Fund: established to account for contributions made to the Town for the purpose of providing sponsorship in Parks & Recreation Service programs for those that otherwise could not afford to participate.



Impact Fee Funds: accounts for revenues and transfers for which the Town has assessed an impact fee including: Civic Facilities, Drainage and Flood Control, Parks and Recreation, Public Safety, Fire Emergency Services, and Traffic facilities. Funds are transferred for approved projects in the Town's capital projects fund.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the acquisition of resources and payment of principal and interest on general long-term debt of the Town and its related entities.

Measure A Debt Service Fund: established to account for the obligation incurred under the Certificate of Participation issuance for the 2004 Flood Barrier project.

Community Center 2008 Lease Revenue Bond Debt Service Fund: established to account for lease revenue bonds issued by the Town's Financing Authority to fund construction of the Community Center Project.

Town Hall & Madison/Yount 2013 Lease Revenue Bond Debt Service: established to account for lease revenue bonds issued by the Town's Financing Authority to fund a seismic retrofit to Town Hall and the reconstruction of streets and sewers on Madison & Yount Streets.

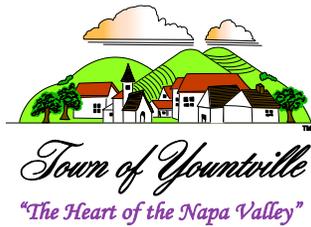
CAPITAL PROJECTS FUND

Capital Project Funds are used to account for the acquisition, construction and improvement of capital facilities other than those financed by proprietary funds.

Capital Projects Fund: established to provide resources for capital projects not fully funded from other sources. This is the primary funding source for most discretionary Town capital projects. Funding sources include transfers from General Fund, grants, impact fees, and reimbursement for locally funded projects, such as those funded by the Town's share of the county-wide Measure A flood protection tax.

PROPRIETARY FUNDS

There are two classifications of Proprietary Funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to account for activities that are operated in a manner similar to a private business enterprise, where a fee is charged to external users to recover the cost of goods and services. The Town's proprietary funds use accrual accounting for both financial reporting and budgeting purposes. The Town utilizes Enterprise Funds to budget and account for its costs associated with operation of its Water and Wastewater Utility Operations.



Water Utility Enterprise Fund: established to budget and account for the charges to customers for water services, costs to purchase water delivered from Rector Reservoir from the Veteran’s Home, purchase and maintenance of other acquired water resources, operation and maintenance of the municipal well, and operation and maintenance of the water distribution system in compliance with State and Federal requirements.

Wastewater Utility Enterprise Fund: established to budget and account for charges to customers for wastewater collections and treatment, the operation and maintenance of the Town’s wastewater collection system and operation of the Wastewater Treatment Plant in compliance with State and Federal requirements.

FIDUCIARY FUNDS

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs. Agency Funds are a type of fiduciary fund used to account for 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 governmental agencies. The Town has one Agency fund.

Tourism Improvement District Assessment Fund: accounts for the countywide 2% assessment on lodging room rentals; 1.5% is passed through to the County of Napa to fund the Napa Valley Tourism Corporation (NVTC); .5% is directed to local Yountville efforts administered by the Town under direction of a local Tourism Improvement governing body, NVTID Yountville.