

Handbook Highlight from the Montana Municipal Officials Handbook

4.104 Budgeting Terminology

Appropriation – an authorization by the governing body enabling local government departments to make expenditures or to incur financial obligations for a specific public purpose. The expenditure authorization is limited to the fiscal year of the approved budget and may not be exceeded except by lawful amendment of the budget by the governing body.

Budget – the plan of expenditures and revenues approved and authorized by the annual budget resolution of the governing body to meet the essential public safety, public health and public well-being needs of the city/town or county during a specific fiscal year. A “line item budget” is formatted by object code to document the source of revenues as well as the departmental origin and purpose of expenditures. A “program/performance budget” includes the necessary accounting detail but is expanded to provide documentation of the funded program objectives and the associated performance measures that will be used to evaluate the outcomes and public benefits to be derived from the budgeted expenditures.

Capital Improvement Program (CIP) – a method provided by law ([7-6-616, MCA](#)) for funding the replacement, improvement or acquisition of local government property, facilities and equipment that costs in excess of \$5,000 and has a life expectancy of five years or more.

Enterprise Fund – a governmental fund type used to account for the revenues and expenses (including depreciation) of proprietary services provided by a local government on a “fee for service” basis, similar to private business enterprises, rather than on a tax supported basis. Water, wastewater (sewer) and solid waste (garbage) and ambulance services are typical examples of municipal enterprise activities.

Fiscal Year – a twelve-month governmental accounting period limiting the authorization of expenditures and enabling annual reconciliation of the government’s financial position. The fiscal year for state and local governments in Montana is July 1 to June 30.

Unreserved Fund Balance – for governmental funds, the fiscal year end cash, less outstanding liabilities (Cash Available). For enterprise funds, the fund balance is designated the Unreserved Retained Earnings. This is an important trend indicator of the financial soundness of a governmental fund or unit of government.

G.A.A.P. – “Generally accepted accounting principles” recognized by the accounting profession and by the Government Accounting Standards Board (GASB).

General Fund – a fund used to account for the ordinary operations of a local government which are financed by property taxes and other non-tax, general revenues and not accounted for in another governmental fund.

Property Tax Mill – one thousandth of the total property tax valuation of a taxing jurisdiction. The mill is used to apportion the costs of providing government services in proportion to the taxable value of property owned by the taxpayer. Thus, if the total taxable valuation of a city is \$2,000,000, a one mill levy would yield \$2,000 in property tax revenue ($\$2,000,000/1,000$). By the same token, if a residence has a taxable value of \$5,000, a one mill levy on the property would yield \$5.00 in property tax revenue. If the mill levy required to balance the city/town budget is 100 mills, the municipal property tax on that same residence would be $100 \times \$5.00$, or \$500.00 which would be added to the county, school and state mill levies.

Taxable Valuation – the portion (percentage) of the “appraised value” of any property that is subject to a property tax mill levy. Both the “appraised value” and the resulting “taxable value” are determined by periodic, appraisals conducted by the Montana Department of Revenue applying a “tax rate” enacted by the legislature and furnished to all units of local government as annual, certified “taxable values” lying within the local government’s jurisdiction. The taxable value is the basis for the local government’s mill value which, as noted above, is the taxable value of the jurisdiction divided by 1,000.