

## GLOSSARY

**Accrual Accounting:** A method of accounting in which revenues are recognized in the accounting period in which they are earned. Expenditures are recognized in the accounting period in which the liability is incurred. This method also is often contrasted with **Cash Accounting**.

**Agency Fund:** A **Fiduciary Fund** in which the government is a temporary agent.

**Appropriations:** The amount of money granted by the legislative body to units of local government for most activities in the coming **Fiscal Year**. Appropriations are usually reported in the budget by **Line Item**; and they allow governmental units to make new expenditures and incur new obligations up to the amount of the appropriation. Appropriations are also called budgeted expenditures.

**Assessed Valuation:** This is the value of the property that is available for taxation which is determined annually and is based on the ratio of the property's assessed value to its "fair market value." The process of determining a property's assessed value is called an **Assessment**, and assessors consider many factors when valuing properties. See **Equalized Assessed Valuation**.

**Assets:** As reported on a **Balance Sheet** for a given fund, assets include any financial resources available to government such as cash, expected tax revenues, payments due from other funds or governmental units, and inventories.

**Balance Sheet:** A periodic report on the government's **Assets**, **Liabilities**, and **Fund Equity**, and all **Governmental Funds**. The governmental financial officer or the Accounting division usually prepares these reports.

**Bonds (Municipal):** A method of issuing **long-term Debt** to local governments or semi-independent agencies associated with local government such as authorities or corporations. The two primary types of bonds are: General **Obligation** and **Revenue**. All municipal bonds are tax exempt, and therefore are usually bought by investors with high marginal tax rates such as commercial banks and high-income individuals. Investment patterns in municipal bonds have changed dramatically since the late 70's due to revenue limitations, radical changes in interest rates, and the national Tax Reform Act of 1986 that eliminated the benefits of using revenue bonds for "private purpose development."

**Bond Rating:** A judgement on the investment quality of the **Bond** which reflects the government's ability to repay the debt or its creditworthiness. The stronger the rating, the lower the interest rate assigned to the bond by the underwriters. There are three rating agencies: Moody's Investors Service, Standard & Poor's Corporation, and Fitch's. A variety of characteristics about the government and community are examined to determine its rating such as the strength of the local economy, the financial management practices of the government, debt factors, and administrative practices.

**Budget:** The budget is one of the primary financial documents of the government, in addition to the **Comprehensive Annual Financial Report**. The budget is prepared before the beginning of the **Fiscal Year** and documents expected **Revenues**, and **Appropriations** for the entire government and for the various departments and divisions of the government.

**Cash Accounting:** Different from accrual accounting in that both revenues and expenditures are not recognized until the cash transfers are actually made. This method of accounting is not recognized by **Generally Accepted Accounting Principles (GAAP)**.

**Comprehensive Annual Financial Report (CAFR):** In addition to the **Budget**, the CAFR is one of the primary financial documents of the government. The document is prepared at the end of the **Fiscal Year** and presents summaries of the government's fiscal activities in the past year (in comparison to previous years and the budget). Specifically, the document contains comprehensive (combined) **Balance Sheets**, statements of **Revenues** and **Expenditures** and changes in the **Fund Balance** for all **Governmental Funds**.

**Current Assets:** include any financial resource available to a government unit to meet any obligations due within a year. This would include non-cash assets that could be convertible to cash to meet obligations due within a year. For instance, receivables would be classified as a current asset if they would be collectible within one year.

**Current Liabilities:** include any amount owed to outside parties where the amounts must be repaid within a year. An example would include telephone and utility bills. These obligations are due within a year.

**Debt Limit:** The maximum amount of gross or net debt which is legally permitted by state mandate, constitution, or voter approval. These limits usually apply only to **General Obligation Bonds** rather than **Revenue Bonds**.

**Debt Service Fund:** A fund that accounts for the payment of principal and interest on the government's **long-term Debt**.

**Depreciation:** Expiration in the service of a **Fixed Asset** which is considered a portion of the total cost of the fixed asset and charged as an expense during a particular period.

**Encumbrance:** A commitment to expend funds for a particular purpose (even prior to establishing a legal obligation or liability). They are not recorded as **Expenditures**, **Appropriations**, or **Liabilities** but as a reduction in the **Fund Equity** (as reported on the **Balance Sheets**). Encumbrances become **Expenditures** when cash payments are actually made.

**Enterprise Fund:** A fund that accounts for services that are supported primarily by **User Charges** such as golf courses, swimming pools, or garbage collection.

**Equalized Assessed Valuation:** Because **Assessed Valuation** (and therefore the **Tax Rate**) may vary from market values of property in different communities, state governments establish an equalized assessed valuation of property to be used for taxation at other levels of government such as the county. In this case, the equalization ensures that taxpayers within the county will be taxed at the same level of market value, for the county's portion of the **Property Tax**, even though municipalities within the county will calculate **Assessed Valuation** of properties within their borders at different times and, therefore, have different estimates of market values.

**Executive Budget:** A type of budgeting process in which the **Chief Executive** has primary responsibility for preparing the budget and authority over budget that is presented to the legislative body for approval.

**Expendable Fund:** Accounting or budgeting funds in which authorization for new spending or incurring new obligations expires at the end of the **Fiscal Year**. **Governmental Funds** are usually expendable.

**Expenditures:** The actual cash payments of governmental units for all activities, which are monitored throughout the year, but are calculated for an entire **Line-item** or **Program** in the budget for a previous **Fiscal Year**.

**Fiscal Year:** A twelve-month period of time for which governmental activities are budgeted and the **Budget** is prepared. This is also the time allotted to record and present other summary financial statements such as the **Comprehensive Annual Financial Report**. Technically, a fiscal year can be any set of 12 months, but most municipalities operate on a January 1 to December 31 fiscal year.

**Fixed Assets:** Long-term assets that the government intends to use or hold for a relatively long period of time, such as land, buildings, machinery, and equipment.

**Fund Balance:** As defined in the **Balance Sheets** of all **Governmental Funds**, it is that part of the **Fund Equity** that is available for future commitment, expenditure, or appropriation. More specifically, it is that part of the fund equity that is not reserved for **Encumbrances**, and may be called the **Unreserved Fund Balance**.

**Fund Equity:** As reported in the **Balance Sheets** of all **Governmental Funds**, fund equity is defined as fund **Assets** minus fund **Liabilities**.

**GAAP:** Stands for Generally Accepted Accounting Principles. These are national standards of financial reporting as established by the Governmental Accounting and Standards Board (GASB).

**General Fund:** The fund that accounts for and supports most services in government.

**General Obligation Bond: long-term Debt**, which is secured by the government's full faith and credit (i.e. its taxing powers). These bonds usually have a lower rate of interest than **Revenue Bonds** because of lesser risk associated with a very secure source of repayment. They often require an affirming vote of the public, and their principal retired or repaid in the future from the **General Fund**. Once the debt is issued, payment of interest and principal is handled through a **Debt Service Fund**.

**Goal:** a long-term, attainable target for an organization – its vision of the future.

**Governmental Funds:** Four different accounting or budgetary groups which, generally, are unique to government and which account for most governmental activities. These funds are the: **General Fund**, **Capital Project Fund**, **Debt Service Fund**, and **Special Revenue Fund**.

**Home Rule:** State laws or constitutional stipulations regarding local government in the following areas: 1) its form; 2) the type or extent of services provided; 3) the range of revenues that they can levy, and tax, debt, or expenditure limitations.

**Intergovernmental Revenue:** Revenues that are transferred from other governments to the local government or are passed through the local government directly to individuals or other entities. There are three broad types of intergovernmental revenues: **Grants-in-Aid**, **Shared Revenues**, and **Transfer Payments**.

**Internal Service Fund:** A fund that accounts for the provision of goods and services from one agency or department to another within the government (e.g. maintenance on equipment, printing and copying, or information services).

**Liabilities:** As reported in the **Balance Sheet** for a given fund, liabilities include amounts owed to persons or organizations outside that fund. Examples of liabilities are: payable vouchers, amounts due to other funds or units, and deferred revenues.

**Line-item Budget:** Line-item budget presentations group expenditures according to the object of expenditure such as salaries, benefits, supplies, equipment, and maintenance. These categories, such as salaries, may be further divided into temporary wages, permanent wages, and overtime.

**Long-Term Debt:** A governmental unit may issue long-term debt to finance capital and infrastructure expenditures. In contrast to **Short-Term Debt**, it should not be used for regular operations. The two primary means of issuing or financing long-term debt are: **General Obligation Bonds** and **Revenue Bonds**.

**Matching Grant:** A specific type of **Conditional Grant** in which the local government must contribute some percentage of funds in order to receive the grant.

**Millage:** A term applied to the **Tax Rate** of a **Property Tax** which specifies the rate of taxation on a dollar of assessed value (or on a \$1,000). The term "20 mills" would mean two cents for every dollar of assessed value (or two dollars for every \$1,000).

**NA:** Not applicable or does not apply.

**Objective:** a specific, measurable and observable result of an organization's activity which advances the organization toward its goal.

**Other Operating Expenses:** Within Winnebago County, this group of expenditures includes all expenses other than labor, capital outlay and travel. Examples of groups of items include office expenses such as supplies, stationery and forms, postage and others. Other expenses also includes publications, subscriptions, dues, telephone other operating expenses, repairs and supplies, utilities, contractual expenses such as accounting, and legal services. This category also includes rental expense and insurance.

**Policy:** a plan, course of action or guiding principle, designed to set parameters for decisions and actions.

**Program Budget:** Programmatic budget presentations group the **Line-Items** into units that represent service objectives or functions such as crime prevention, fire education (Stop, Drop, & Roll), or small business incentive loans.

**Proprietary Funds:** General accounting or budgetary groups that are analogous to private commercial organizations. Government recognizes two types of proprietary funds: Enterprise **Funds** and **Internal Service Funds**.

**Retained Earnings:** is the cumulative amount by which revenues and operating transfer from other funds have exceeded expenses and transfers to other funds.

**Revenues:** All funds used by local government report revenues as the primary source of monetary input. There are six primary sources of revenues for **General Fund** of the local government: taxes, licenses and permits, **Intergovernmental Revenues**, **User Charges**, fines and forfeitures, and miscellaneous. Expected or budgeted revenues are those that are estimated for the coming fiscal year. Actual revenues represent the amount of money that was actually collected by the government.

**Shared Revenues:** A type of Intergovernmental Revenue in which revenues collected by another government which are distributed to a local government according to a formula such as number of children enrolled, population or per capita income.

**Short-Term Debt:** Debt that is issued for less than a year to ease temporary cash flow deficiencies until expected **Revenues** from taxes, bonds, or other governments are received.

**Special Revenue Fund:** A fund that accounts for specific services or projects that are funded through contractually or legally earmarked revenues.

**Tax Incremental Finance (TIF) Districts:** An area within the boundaries of a local government that is designated for redevelopment. Revenue from the incremental growth of the property tax base is used to provide additional funds for further redevelopment or for debt service on bonds issued for the original redevelopment efforts.

**Unreserved Fund Balance:** This is a component of the **Fund Balance**, which specifies money available for future commitments, expenditures, or appropriations.

**Working Capital:** is the excess of current assets over current liabilities. At the end of a fiscal year, working capital can represent the net available remaining current resources of an entity available after all obligations of the current fiscal period has ended. It can represent an estimate of an entity's undesignated financial resources, similar to undesignated fund balance.

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