

# Glossary



## **GLOSSARY OF TERMS**

The Annual Budget contains terminology unique to public finance and budgeting. This glossary was prepared to assist the reader of this document in understanding some of the terms.

**1991 Illinois Property Tax Extension Limitation Law** - This Act limits the increase in property tax extensions to 5% or the percent increase in the national Consumer Price Index (CPI), whichever is less. The Act became effective October 1, 1991, and first applied to the 1991 levy year for taxes payable in 1992. Increases above 5% or the CPI must be approved by the voters in a referendum. In July 1991 the Illinois General Assembly enacted the Property Tax Limitation Act. In January 1994 the provisions of the Property Tax Limitation Act were replaced by the Property Tax Extension Limitation Law, a part of the Property Tax Code (the "Property Tax Limitation Law").

**2008 Bond Referendum** - This referendum authorized the issuance of \$185 million general obligation bonds to provide funds for preserving wildlife habitats, trail and greenway corridors, wetlands, prairies and forests, providing flood control, and developing and restoring public areas for recreation, education and cultural facilities. The referendum was approved by 66% of the voters of the District at the nonpartisan election held on November 4, 2008.

**Appropriation** - A legal authorization granted by the District to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in the amount and time it may be expended.

**Assets** - Property owned by a government.

**Audit** - A systematic collection of sufficient, competent evidential matter needed to attest to the fairness of the presentation of the District's financial statements. The audit tests the District's accounting system to determine whether the internal accounting controls are both available and being used.

**Balance Sheet** - That portion of the District's financial statement that discloses the assets, liabilities, reserves and balances of a specific governmental fund as of a specific date.

**Basis of Accounting** - A term used when revenues, expenditures, transfers, assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement, on the cash, modified accrual, or the accrual method.

**Bond** - A written promise to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond ordinance. The most common types of bonds are general obligation and revenue bonds. These are most frequently used to finance capital improvements.

**Budget** - A plan of District financial operations that includes an estimate of proposed expenditures and a proposed means of financing them. The term used without any modifier usually indicates a financial plan for a single operating year. The budget is the primary means by which the expenditure and service levels of the District are controlled.

**Budget and Appropriation Ordinance** - A legal document adopted by the Board authorizing expenditures for specific purposes within a specific period of time.

**Budget Message** - The opening section of the budget, which provides the Board of Commissioners and public with a general summary of the most important aspects of the budget, changes from the current and previous fiscal years, and the views and recommendations of the District Executive Director.

**Budgeted Staffing** - Total work force expressed as Full Time Equivalent (FTE) positions. The FTE is calculated on 1950 and 2080 hours. For example, a position working 40 hours per week for four months, or 960 hours, would be equivalent to .46 of a full-time position.

**Capital Improvement Plan (CIP)** - A five year plan, updated annually, used to identify and coordinate funding requirements for improvement needs.

**Capital Outlay** - The amount budgeted and appropriated for purchase of land, buildings, equipment, improvements, software and furniture which individually amounts to expenditure of more than \$5,000 and having an expected life of longer than two years.

**Capital Projects** - The amount of funds budgeted and appropriated to be used for the construction and development of facilities.

**Cash Management** - The management of cash necessary to pay for government services while investing temporary cash excesses in order to earn interest revenue. Cash management refers to the activities of forecasting the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in order to achieve the balance of the highest interest and return, liquidity and minimal risk with these temporary cash balances.

**Charges for Service** - User charges for services provided by the District to those specifically benefiting from those services.

**Commodities** - The amount budgeted and appropriated for departmental and functional operating supplies. This includes office supplies; gasoline and oil; building, ground, equipment and vehicle maintenance supplies; other operating supplies and employee recognition.

**Contractuals** - The amount budgeted and appropriated for departmental and functional operating services. This includes utilities, consultants and outside contractor services, audit fees, printing, insurance, training, and building, grounds, equipment and vehicle maintenance contracted outside.

**Debt** - A financial obligation resulting from borrowing money. Debts of government include bonds and installment contracts.

**Debt Service Extension Base (DSEB)** – An amount equal to the portion of the 1994 extension for payment of interest and principal on bonds issued by a taxing district without referendum.

**Deficit** - The excess of expenditures or expenses over revenues or income during a single accounting period.

**Department** - A major administrative division of the District that indicates overall management responsibility for an operation.

**Depreciation** - The allocation of the cost of a fixed asset over the asset's useful life. Through this process the entire cost of this asset less any salvage value is ultimately charged off as an expense. This method of cost allocation is used in proprietary funds.

**Equalized Assessed Valuation** - A value established for real or personal property to use as a basis for levying property taxes. Illinois law requires real property to be assessed at 33 1/3 percent of fair cash value. (Note: Property values are established by the County Assessor.)

**Enterprise Fund** - A fund established to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Expenditures** - Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental transfers.

**Expenses** - Charges incurred, whether paid or unpaid, resulting from the delivery of District services.

**Fiscal Year** - A 12-month period to which the District's annual operating budget applies and at the end of which the District determines its financial position and the results of its operation. The District's fiscal year is from July 1 through June 30 of the following year.

**Fixed Assets** - Assets of a long-term character intended to continue to be held or used. Examples of fixed assets include items such as land, buildings, machinery, furniture, and other equipment.

**Fund** - An 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 fund equity of governmental funds. Changes in fund balances are the result of the difference of revenues to expenditures. Fund balances increase when revenues exceed expenditures and decrease when expenditures exceed revenues.

**General Obligation Bonds** - Bonds that finance a variety of public projects such as streets, buildings, and improvements; the repayment of these bonds is usually made from the Debt Service Fund, and these bonds are backed by the full faith and credit of the issuing government.

**Generally Accepted Accounting Principles (GAAP)** - Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).

**Governmental Fund Types** - Funds used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except those accounted for in proprietary and trust funds. In essence, these funds are accounting segregation of financial resources. Expendable assets are assigned to a particular governmental fund type according to the purposes for which they may or must be used. Current liabilities are assigned to the fund type from which they are to be paid. The difference between the assets and the liabilities of governmental fund types is referred to as fund balance. The measurement focus in these fund types is on the determination of financial position and changes in financial position (sources, uses and balances of financial resources), rather than on net income determination. The statement of revenues, expenditures and changes in fund balance is the primary governmental fund type operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers and other changes in fund balance. Under current GAAP, there are four governmental fund types: general, special revenue, debt service and capital projects.

**IMRF – Illinois Municipal Retirement Fund** - IMRF is organized under the laws of the State of Illinois for the purpose of providing a uniform program of death, disability, and retirement benefits for the employees of approximately 3,000 local governments and school districts.

**Income** - A term used in proprietary fund type accounting to represent (1) revenues, or (2) the excess of revenues over expenses.

**Intergovernmental Revenue** - Funds received from federal, state and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes.

**Levy** - (Verb) To impose taxes, special assessments, or service charges for the support of governmental activities. (Noun) The total amount of taxes, special assessments or service charges imposed by the District.

**Liability** - Debt or other legal obligations arising out of transactions in the past that must be liquidated, renewed or refunded at some future date.

**Modified Accrual Basis** - The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both “measurable” and “available” to finance expenditures of the current period: “available” means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred except for (1) inventories of materials and supplies that may be considered expenditure either when purchased or when used, and (2) prepaid insurance and similar items that may be considered expenditures either when paid for or when consumed. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis or accounting.

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

**Net Tax Levy Impact** - The total amount of property tax extensions calculated to be received from property tax levy for each fund. The District has six tax levy funds: General Corporate, Liability Insurance, Audit Fund, Land Development Levy, Retirement - IMRF/FICA, and Debt Service Funds.

**Property Tax** - Property taxes are levied on real property according to the property's valuation and tax rate.

**Proprietary Fund Types** - The classification used to account for a District's ongoing organizations and activities similar to those often found in the private sector (i.e., enterprise and internal service funds). All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business and quasi-business activities are accounted for through proprietary funds. The GAAP used are generally those applicable to similar businesses in the private sector and the measurement focus is on determination of net income, financial position and changes in financial position. However, where the GASB has issued pronouncements applicable to those entities and activities, they should be guided by these pronouncements.

**Public Act 94-976** – A state law which eliminated referendum-approved tax rate ceilings on individual operating funds. The Act automatically sets the rates at the highest rate allowed by statute.

**Reserve Funds** - A portion of a fund restricted for a specific purpose.

**Revenue** - Funds the government receives as income, including such items as tax receipts, fees from specific services, receipts from other governments, fines, forfeitures, grants, shared revenues, and interest income.

**Salaries and Benefits** - The amount budgeted and appropriated for salaries, wages, health premiums, and fringe benefits.

**Tax Levy** - The total amount to be raised by general property taxes for operating and debt service purposes.

**Tax Rate** - The amount of tax levied for each \$100 of assessed valuation.

**Truth in Taxation Act** - Provides taxpayers with the means to check and review local government spending. It requires the District Board to publish a notice and hold a public hearing on their intention to adopt a levy exceeding the property taxes extended for the previous year by more than five percent.