

## GLOSSARY

There are many specialized terms used in governmental budgeting and accounting. The following is an abbreviated list of some of the more common terms one may encounter in reviewing Tolland's Budget.

### **Appropriation**

A legal authorization granted by a legislative body (the Town Council, for example) to make expenditures and to incur obligations for specific purposes. All General Fund appropriations lapse at the end of the fiscal year.

### **Assessment/Assessed Valuation**

A valuation set upon real estate or other property by a government as a basis for levying taxes.

### **Balanced Budget**

A budget wherein the revenues equal the expenditures for any given year.

### **Basis of Accounting**

The procedures that record, classify and report on the finances and operations of a business, government or other entity.

***Cash Basis of Accounting:*** Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.

***Modified Accrual Basis of Accounting:*** Basis of accounting that the Town of Tolland uses which records revenues in the accounting period in which they become available and measurable and records expenditures in the accounting period in which goods or services are received.

### **Board of Education**

The Board of Education is the elected body responsible for developing educational policy for the Tolland Public School System. It is a nine-member body whose members are elected every two years. The Board of Education hires a Superintendent to administer the school system.

### **Bond**

A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate. Bonds are used by companies, municipalities, states and U.S. and foreign governments to finance a variety of projects and activities. Bonds are commonly referred to as fixed-income securities.

## **Budget**

A financial operating plan for one year embodying estimated expenditures for providing services and the proposed means of financing them. A balanced budget limits expenditures to available resources.

The Capital Budget is the first year of a five-year Capital Improvement Program, and is funded as part of the annual budget appropriation. It includes all equipment or facility improvements or modifications for both the Town Government and Board of Education costing more than \$10,000 and having a life expectancy of more than eight years (Capital Projects).

### **School Operating Budget**

This budget relates to services provided by the Board of Education for the Town School System. These include: Instruction, Property and Employee Insurance, Operation of Plant, Pupil Transportation, Maintenance of Plant, General Control, Expenditures to Other Schools, Student Body Activities, Health Services and Capital Outlay, as well as Special Federal Funds, Cafeteria Proceeds and Student Activity Fees. These categories of expenditures are defined by the State of Connecticut Board of Education, and are uniform for all school systems within the State.

### **Town Operations Budget**

This term relates to the services which are provided by the Town Government. These services include: Administration and Support Services, Community Development, Community Services, Public Works, Public Safety, Finance and Records and Debt Service.

### **Capital Improvement Program (CIP)**

The Capital Improvement Program is a comprehensive multi-year capital plan that identifies and prioritizes expected needs of the Town which are proposed for the Town within the next five years. The first year of the program is called the Capital Budget and is adopted annually with the General Fund budget.

### **Capital and Non-Recurring Expenditure Fund (CNRE)**

The CNRE fund was established to allow more flexibility in investments and to serve as a future source of pay-as-you-go financing of capital projects.

### **Capital Outlay**

An object classification in the Town's General Fund Budget for capital items of equipment, or facility improvements of less than \$10,000 and/or a life expectancy of less than five years. In the Board of Education budget, Capital Outlay is a major expenditure classification defined by the State of Connecticut Board of Education.

### **Capital Project**

A Capital Improvement Program project or piece of equipment costing more than \$10,000 and having a life expectancy of more than eight years.

**Education Reference Groups (ERGs)**

A classification system used in the State of Connecticut in which towns that have public school systems with similar socio-economic status and needs are grouped together. Seven variables (income, education, occupation, poverty, family structure, home language and school district enrollment) are used to categorize Connecticut communities into ERGs.

**Depreciation**

A noncash expense that reduces the value of an asset as a result of wear and tear, age, or obsolescence. Most assets lose their value over time (in other words, they depreciate), and must be replaced once the end of their useful life is reached.

**Encumbrances**

Purchase orders, contracts or salary commitments that must be covered by an appropriation.

**Expenditure (Modified Accrual Basis)**

Cost of goods received or services rendered, whether cash payments have been made or not.

**Equalized Mill Rate**

The Equalized Mill Rate, or the Effective Tax Rate, is calculated by dividing the adjusted tax levy by the Equalized Net Grand List. Dollars of tax per \$1,000 market value; can be calculated by multiplying the mill rate by the assessment ratio.

**Equalized Net Grant List**

The Equalized Net Grand List is the estimate of the market value of all taxable property in a municipality. Municipalities revalue their Grand Lists based on schedules established by the Connecticut General Assembly (CGS 12-62). Thus, there can be a marked difference between the market value of all property and the assessed value. The State Office of Policy and Management calculates the Equalized Net Grand List from sales and assessment ratio information and grand list reports filed by the municipality.

**Fiscal Year**

The 12 month period at the end of which a government determines its financial condition and the results of operations and closes its books. For the Town of Tolland, the fiscal year begins on July 1<sup>st</sup> and ends on June 30<sup>th</sup>.

**Funds**

Governmental accounting systems are organized and operated on a fund basis. A fund is an independent financial and accounting entity. It has a self-balancing set of accounts and records, cash and other financial resources, together with all related liabilities and residual equities or balances which

are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Though funds are independent entities within the financial records of a government, there need not be physical segregation of assets. Funds may be established by the State Constitution, State Statute, Town Charter, Town Ordinances, or administrative decisions. Funds used by the Town of Tolland include: General Fund, Capital Projects Funds, Special Revenue Funds, Enterprise Funds and Trust and Agency Funds.

***The General Fund:*** is the primary operating fund for the Town of Tolland and accounts for all financial resources except those required to be accounted for in another fund. It is the only fund with a legally adopted budget.

### **Fund Balance**

The difference between assets and liabilities reported in governmental funds.

### **Generally Accepted Accounting Principles (GAAP)**

The conventions, rules and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.*

### **Grand List**

The Grand List is the compilation, by value, of all taxable and tax exempt property within the municipality.

### **LoCIP**

Local Capital Improvements Program is a State grant awarded for the purpose of assisting a municipality with the cost of State approved capital projects.

### **Mill Rate**

The Mill Rate is the tax rate expressed as a monetary unit. One mill equals one dollar of tax per thousand dollars of assessed value of property. Taxes levied are equal to the mill rate times the assessed value of property.

### **Object Codes**

A uniform classification identifying the transactions of the government by the nature of the goods or services purchased.

### **Other Post Employment Benefits (OPEB)**

Other post employment benefits provided by an employer to plan participants, beneficiaries and covered dependents through a plan or arrangement separate from a retirement plan. OPEB may include health care benefits, life insurance and other assistance programs.

## **Other Financing Use**

A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the other financial uses category is limited to items so classified by GAAP.

## **Program**

Group activities, operations or organizational units directed to attaining specific purposes or objectives.

## **Revenue**

All amounts of money received by a government entity, net of refunds and other correcting transactions, other than from the issuance of debt or the liquidation of investments.

## **State Treasurer's Investment Fund (STIF)**

The State Treasurer's Investment Fund is a Standard and Poor's AAAM rated investment pool of high quality, short-term money market instruments analyzed by the Cash Management Division of the State Treasurer's Office.

## **Superintendent of Schools**

The Superintendent of Schools is appointed by the Board of Education and is responsible to the Board of Education for administering the Tolland Public School System.

## **Surplus**

This term refers to the Unappropriated General Fund balance. These funds are usually excess revenues received above those budgeted and unexpended funds from the Town and School budgets. The rating agencies of Standard and Poor's and Moody's Investors Service regard about 10% fund balance as adequate to meet the unforeseen needs of the community.

## **Town Council**

The Town Council is the elected legislative body of the Town of Tolland responsible for appointive, legislative and contractual duties, as outlined in the Town Charter and State Law. The Council is composed of seven members elected at large, on a partisan basis, every two years. The Town Council hires a Town Manager to administer the affairs of the Town.

## **Town Manager**

The Town Manager is appointed by the Town Council and is the Chief Administrative Officer of the Town. The Town Manager has such powers and duties as the Town Charter, State Statutes, and Town Council may prescribe for the Chief Executive Officer of a municipality.

**Unassigned Fund Balance**

Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., commitments)

**Water Pollution Control Authority (WPCA)**

The Water Pollution Control Authority is the oversight Commission for the Town's sewer operations.

## **LISTING OF ACRONYMS**

ADA – Americans with Disabilities Act  
ACS – Affiliated Computer Service  
BOE – Board of Education  
CAFR – Comprehensive Annual Financial Report  
CCM – Connecticut Conference of Municipalities  
CT DOT – Connecticut Department of Transportation  
CGS – Connecticut General Statutes  
CSEA – Connecticut State Employee Association  
DECD – Department of Economic and Community Development  
ECS – Education Cost Sharing  
EDC – Economic Development Commission  
GAAP – General Acceptable Accounting Principals  
GASB – Governmental Accounting Standard Board  
GFOA – Government Finance Officers Association  
EHHD – Eastern Highlands Health District  
FEMA – Federal Emergency Management Agency  
H.V.C.C. – Hockanum Valley Community Council  
MUTCD – Manual of Uniform Traffic Control Devices  
OPV – Old Post Village  
OPEB – Other Post Employment Benefits  
P&ZC – Planning and Zoning Commission  
TECDC – Tolland Economic and Community Development Corporation  
VNHC – Visiting Nurse & Health Service of CT  
WPCA – Water Pollution Control Authority