

# **GLOSSARY**

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## Glossary

**BORROWING** - These revenues reflect the sale of bonds and notes, certificates of indebtedness, and tax anticipation certificates. Cities are restricted by law from borrowing for current expenses.

**CAPITAL OUTLAY** - These expenditures include the purchase, construction or permanent improvements of buildings, equipment, machinery, and land. Capital outlay varies from year to year based on the needs and resources of the cities.

**CAPITAL OUTLAY FOR ENTERPRISE FUNDS** - The expenditures from governmental funds for improvements to public service enterprises, such as sewer and water mains.

**CAPITAL PROJECTS FUND** - A fund created to account for the financial resources that are used for the acquisition or construction of a fixed asset.

**CASH BASIS OF ACCOUNTING** - Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.

**CHARGES FOR SERVICES** - These revenues reflect fees for activities of the governmental funds. These include rent of city hall by individuals or organizations, police and fire contracts, fire calls, recreation fees, park dedication fees, etc.

**DEBT SERVICE EXPENDITURES** - These expenditures reflect the annual costs of servicing the outstanding debt of the local government. These costs include principal, interest, and some fiscal charges.

**DEBT SERVICE FUND** - A fund to account for the collection of resources and payment of principal and interest from long-term debt.

**ENTERPRISE FUND** - A fund established to account for operations financed and operated in a manner similar to private business. Examples include water, sewer, and electric utilities. The expenses of providing services are primarily financed by user charges.

**FINES AND FORFEITS** - These revenues reflect receipts from the payment of penalties for law violations, non-observance of contracts, and forfeited deposits.

**FRANCHISE TAXES** - These revenues reflect proceeds from taxes imposed on public utilities, usually involving elements of a monopoly, (e.g., electric utilities, gas utilities, cable TV) for use of public property.

**GENERAL FUND** - The fund used to account for all financial resources not required to be accounted for in another fund. This fund is the main operating fund.

**GENERAL GOVERNMENT EXPENDITURES** - These expenditures reflect the costs associated with running a local government, such as the mayor, the city council, administration, finance, and elections. Expenditures in this category include salaries, wages, and benefits of legislative, judicial, and administrative personnel, supplies, and city hall maintenance.

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**GOVERNMENTAL FUNDS** - The funds through which most governmental activities are financed. The four governmental fund types are: general, special revenue, debt service, and capital projects.

**GRAVEL TAX** - These revenues are derived from taxes imposed by the local government for aggregate material removal.

**HEALTH** - These expenditures are for the maintenance of vital statistics, restaurant inspection, communicable disease control, and various health services and clinics.

**HRA AND ECONOMIC DEVELOPMENT** - These expenditures are for development and redevelopment activities in blighted or otherwise economically disadvantaged areas. Activities may include low interest loans to individuals and businesses, cleanup of hazardous sites, rehabilitation of substandard housing and other physical facilities, and other assistance to those wanting to provide housing and economic opportunity within a disadvantaged area.

**INTEREST ON INVESTMENTS** - These revenues reflect interest earned on checking and savings accounts, CDs, money market funds, and bonds. This category also includes dividends. In addition, the net increase or decrease in the fair value of investments is recorded here.

**LICENSES AND PERMITS** - These revenues reflect receipts from liquor licenses, cigarette licenses, other business licenses, street use permits, buildings permits, and other non-business licenses and permits.

**MISCELLANEOUS EXPENDITURES** - These expenditures reflect the costs of activities that were not allocated to a specific function. Some activities included in this category are pension and insurance costs not allocated to a specific department.

**MISCELLANEOUS REVENUES** - These revenues refer to refunds, reimbursements, donations, and lease payments.

**MODIFIED ACCRUAL BASIS OF ACCOUNTING** - Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

**NET TAX LEVY** - The city net property taxes, after state property tax relief aids or grants, required to be paid by the property owners of the city.

**OTHER FINANCING SOURCES** - Long-term debt proceeds, sale of fixed assets, and transfers from other funds.

**OTHER FINANCING USES** - Transfers to other funds, refunding bond proceeds deposited with escrow agent and invested until they are used to pay principal and interest on the old debt at a future time, and remittance to other agencies.

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**OUTSTANDING LONG-TERM DEBT** - This category refers to the long-term debt that a local government has incurred to finance its capital projects. Examples of long-term debt include various types of bonds and other obligations such as notes and long-term leases.

**PARKS AND RECREATION** - These expenditures reflect park maintenance, mowing, planting, and removal of trees. Recreation expenditures include festivals, bands, museums, community centers, cable TV, baseball fields, organized recreation activities, etc.

**PUBLIC SAFETY EXPENDITURES** - These expenditures reflect the costs related to the protection of persons and property. This category combines several distinct city departments, including police, fire, ambulance services, and other protection. They are combined here because cities allocate similar responsibilities differently among these departments.

**SANITATION** - These expenditures reflect the costs of refuse collection and disposal, recycling, as well as weed and pest control. Some cities provide sanitation services through enterprise funds.

**SPECIAL ASSESSMENTS** - These revenues refer to levies made against certain properties to defray all or part of the costs of a specific improvement, such as new sewer and water mains, deemed to benefit primarily those properties. The amount includes the penalties and interest paid on the assessments.

**SPECIAL REVENUE FUNDS** - A fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specific purpose.

**STREETS AND HIGHWAYS EXPENDITURES** - These expenditures reflect the costs associated with the maintenance and repair of local highways, streets, bridges, and street equipment. Common expenditures include patching, seal coating, and snow removal. Expenditures for road construction are not included in current expenditures but are accounted for as capital outlay.

**TAXABLE TAX CAPACITY** - The tax capacity less the tax increment district value, less the fiscal disparities contribution value, plus the fiscal disparities distribution value.

**TAX CAPACITY** - The value assigned to the property used to calculate the property taxes.

**TAX INCREMENTS** - These revenues refer to the amount of resources cities generate when they establish tax increment financing (TIF) districts. In a TIF district, the increase in property tax revenues in the redeveloped area are used to pay the costs of development and redevelopment in the district rather than the general services of the city, county, and school district.

**TOTAL CURRENT EXPENDITURES** - This category reflects the total of all expenses relating to current operations.

**TOTAL EXPENDITURES** - This category includes current operating expenses, capital outlays, and debt service principal and interest payments.

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**TOTAL REVENUES** - This category reflects all sources of revenue that increase the amount of available resources without creating a liability or a future payment. Borrowing and transfers between funds are not included in total revenues.

**TRANSFERS - ENTERPRISE FUNDS** - The transfer of available resources to or from public service enterprises. An example of this transfer is a water utility transferring money to the General Fund.

**TRANSFERS - GOVERNMENTAL FUNDS** - The transfer of money between governmental fund types. The revenues and expenditures for these funds are always shown in the same tables.

**UNALLOCATED INSURANCE** - These expenditures refer to insurance premiums that were not allocated to a specific function of government.

**UNALLOCATED PENSION CONTRIBUTIONS** - These expenditures refer to contributions to pension plans that were not allocated to a specific function of government.

## RECENT ANNUAL REPORTS, SPECIAL STUDIES, AND BEST PRACTICES REVIEWS FROM THE OFFICE OF THE STATE AUDITOR

### **2004 Special District Finances**

This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for all special districts in Minnesota for the most recent audited fiscal year. August 2006

### **Financial Trends of Minnesota School Districts and Charter Schools: 2001 to 2005**

This annual report provides five years of data and rankings based on the per pupil revenues, expenditures, and debt for all regular Minnesota school districts and charter schools. The report also provides rankings on student demographics, average teacher salaries, fund balances, and other statistics. June 2006

### **2005 Local Government Lobbying Expenditures**

This annual report lists what local government and associations of local governments spend to lobby the Legislature and agencies of the state administration. April 2006

### **Minnesota County Finances**

This annual report lists the sources and audited amounts of revenues, expenditures and debt for Minnesota counties during the most recent fiscal year (year-ended 2004). It includes analysis of counties' enterprise operations and the fund balances for the general and special revenue funds. The report also includes summary budget data for 2005 and 2006. March 2006

### **An Analysis of Minnesota's Municipal Liquor Store Operations in 2004**

This annual report details the sales and profits of Minnesota's municipally-owned and operated liquor stores. December 2005

### **2005 Minnesota City Finances – “The State Auditor’s Big Book of Cities”**

This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for all Minnesota cities for the most recent audited fiscal year (year-ended 2005). It also examines enterprise operations. December 2006

### **Best Practice Review: *Contracting and Procurement in the Public Sector***

The best practices review provides detailed steps that can help increase accountability, reduce liability, and encourage savings when contracting and procuring in the public sector. November 2005

### **Minnesota Township Finances**

This annual report lists the sources and amounts of revenues, expenditures and outstanding debt for Minnesota towns for the most recent fiscal year (2005). November 2006

### **Best Practices Review: *Cooperative Efforts in Public Service Delivery***

The best practices review highlights examples of successful local government cooperation and offers guidance to those local governments pursuing cooperative efforts. December 2004

### **Special Study: *Other Postemployment Benefit Liability of Local Governments in Minnesota***

This special study examined unfunded liabilities as they relate to Other Postemployment Benefits (OPEB) for some local governments in Minnesota. The study identifies those local governments with large unfunded OPEB liabilities and makes recommendations on how to best address the issue. October 2006

### **Special Study: *Municipal Enterprise Activity***

This study, requested by a bipartisan group of legislators, examines the financial information of enterprise fund operations of Minnesota cities from 1998 to 2002. March 2004

### **Special Study: *School Superintendent Compensation***

This special study examined the compensation (salary, benefits, severance, etc.) of Minnesota School Superintendents from 1997 to 2002. September 2003

### **Special Study: *Local Government Aid and its Effect on Expenditures***

This special study examined the effect the state program known as Local Government Aid has on expenditures for cities over 2,500 in population. February 2003

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