DEFINITIONS OF TERMS USED IN THIS BUDGET

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 Avon's Budget.

Ad Valorem

According to value, referring to the way property taxes are levied against real property, personal property, and motor vehicles.

Appropriation

A legal authorization granted by a legislative body (the Town Meeting or Board of Finance, for example) to make expenditures and to incur obligations for specific purposes. For budgetary/operating funds, these appropriations lapse at the end of the calendar year. For non-budgetary or special purpose funds, they do not lapse but continue in force until fully expended or their purpose has been accomplished or abandoned. (This includes the Capital and Nonrecurring Expenditure Fund, the Capital Improvement Fund, and certain Trust Funds of the Town).

Assessed Valuation

The fair market value of both real (land and buildings) and personal property, as determined by the Town of Avon Assessor's office.

Assessment Sales Ratio

The Assessment Sales Ratio is the ratio between a property assessment and its market value. The sales ratio is an estimate based on current sales and will vary by community depending on how recently the revaluation was performed and market appreciation.
(Assessment divided by Market Value = Assessment Sales Ratio)

Assigned Fund Balance

For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has delegated authority to assign amounts by the Town Charter.

Balanced Budget

A Balanced Budget is a budget in which total expenditures equals total revenues. The legal requirements for a balanced budget may be set by the state or local government.

Budget Surplus: Expenditures are less than revenues.

Budget Deficit: Expenditures are greater than revenues.

Basis Differences

Differences that arise through the employment of a basis of accounting for budgetary purposes that differs from the basis of accounting prescribed by GAAP for a given fund type.

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

Budgetary Basis of Accounting: The method used to determine when revenues and expenditures are recognized for budgetary purposes.

Accrual Basis of Accounting: A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.

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. {NCGA Statement 1}

Board of Education

The Board of Education is the elected body responsible for developing educational policy for the Avon Public School system. It is a nine-member body whose members are elected for staggered terms every four years. The Board of Education hires a superintendent to administer the school system.

Board of Finance

The Board of Finance is the elected body responsible for selecting the Town's independent auditor, reviewing budgets from the Board of Education and Town Council, soliciting public comments on these budgets, and recommending a combined budget to the Annual Town Meeting.

Bond Anticipation Note (BAN)

A short-term interest-bearing security issued in the anticipation of bond proceeds to be received at a later date. The note is retired from proceeds of the bonds to which it is related.

Bonded Indebtedness

The portion of an issuer's debt structure represented by outstanding bonds, sometimes limited by constitutional or legislative restraints.

Bonds

A common type of municipal bond in the United States is a general obligation bond, which is secured by a local government's pledge of full faith, credit and taxing power. A serial bond is a financial bond that matures every year, annually or semiannually over a period of years, until the entire issue is retired.

Budget

A financial operating plan for a given period 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 the ten-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 $20,000 and having a life expectancy of more than five years (Capital Projects)

School Operating Budget: The budget includes funds which are received and spent by the Board of Education for the Town School System. These include: Salaries, Employee Benefits, Purchased Professional and Technical Services, Property Services, Other Purchased Services, General Supplies and Utilities, Equipment, Fees and Membership, as well as Cafeteria Operation, Facility Use, and Prepaid State and Federal Grants. 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 Operating Budget: This term relates to the services which are provided by the Town Government. These services include Fire and Police Protection, Building Inspection, Street, Buildings, Grounds and Equipment Maintenance, Traffic Control, Park and Recreation Facilities and Programs, Library, Land Use Planning, Zoning Enforcement, and the administrative and support services associated therewith.

Function/Department/Division: Town Operating Budget expenditures are divided into a hierarchy.

A **Function** is a group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible. Expenditure functions relate to the principal purpose/service for which expenditures are made.

An **Activity** is a specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., *police* is an activity within the *public safety* function).

A **Department** is an organizational or budgetary breakdown within many Town funds. Each department serves a specific function or functions within the given fund entity.

Departments can be further subdivided into **Divisions** which are usually associated with functioning working groups having a more limited set of work responsibilities.

CAD System

A software system used by architects, engineers, drafters, artists, and others to create precision drawings or technical illustrations. CAD software can be used to create two-dimensional (2-D) drawings or three-dimensional (3-D) models.

CAD Systems for Dispatchers

Computer-aided dispatch systems used by law enforcement and other emergency response agencies to provide dispatchers and response units with real-time incident information. CAD systems typically track data on response unit assignments, incident address locations, equipment locations and status, utility locations, and special hazards data.

Capital Improvement Program (C.I.P.)

The Capital Improvement Program is a comprehensive list of capital projects which are proposed for the Town by both the Town Council and the Board of Education within the next ten years. The first five years of the program are provided in detail, while the second five years are provided in summary fashion, for discussion purposes only. The first year of the program is called the Capital Budget.

Capital and Nonrecurring Expenditure Fund (C.N.R.E.F.)

A Capital Projects Fund for capital improvements authorized by State Statute and Town Charter, for which an annual levy of not more than two mills may be made, and which are expected to be spent over more than one year, but not more than three years.

Capital Outlay

An object classification in the Town's General Fund Budget for capital items of equipment or facility improvements of less than $20,000 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 $20,000 and having a life expectancy of more than five years.

Capital Projects Fund (Appropriated)**:**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. They are also used to account for appropriations and expenditures of capital projects. Expenditures are budgeted on a non-lapsing basis.

Capital and Nonrecurring Expenditures Fund: To account for appropriations and expenditures related to certain capital and large nonrecurring expenditures. The Fund is authorized by Connecticut General Statutes as a mechanism for establishing a "reserve" for future large expenditures. Statutory limits are placed on the annual addition and total accumulation of the reserve.

CIFA: To account for various other projects and capital expenditures over $20,000 in cost and with an expected life of at least five (5) years. Financing for these costs came from General Fund appropriations and general obligation bond proceeds.

Capital Region Council of Governments (CRCOG)

A voluntary Council of Governments formed to initiate and implement regional programs to benefit 29 towns and the region.

Committed Fund Balance

This represents fund balance constrained for a specific purpose by a government using its highest level of decision-making authority (Town Council).

Comprehensive Plan of Development

The Comprehensive Plan of Development presents a series of policies relating to both the conservation and development of the community. Its aim is to maintain the high quality of life Avon now offers by promoting land use policies that permit opportunities for economic growth, housing, public facilities, infrastructure, recreation and the preservation of open space.

Connecticut Resources Recovery Authority (CRRA)

CRRA is a quasi-public agency established by the state in 1973 to modernize Connecticut's solid waste disposal. CRRA enabled the state to replace a patchwork of "town dumps" by making a major commitment to waste-to-energy and backing it with recycling and sage, modern, engineered lined landfills.

Contingency

An event that may or may not occur.

DARE

Drug Abuse Resistance Education is the most widely adopted drug education program in the United States today. The DARE program is designed to give young people skills to resist pressures to use drugs.

Debt Limitation

The maximum statutory or constitutional amount of debt that the general obligation bond issuer can either issue or have outstanding at any time.

Defined Benefit Pension Plan

A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

Defined Contribution Pension Plan

A pension plan having terms that specify how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive. The amounts received by a member will depend only on the amount contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account.

Dial-A-Ride

Local transportation service for the elderly and disabled.

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. Avon is included in ERG A, which includes the following nine affluent Fairfield County districts and three affluent suburbs of Hartford and New Haven: Avon; Darien; Easton; New Canaan; Redding; Ridgefield; Simsbury; Weston; Wilton; Woodbridge. For ERG A communities, the average income, education and percentage of employment in managerial professional occupations are all significantly higher than any other grouping. This group also has the lowest percentage of single-parent families and children receiving Aid for Dependent Children (AFDC).

It has a moderate percentage of people who do not speak English at home. The average school enrollment is approximately 2,300. For geographical comparisons, the 29 towns and cities of the Capital region, as defined by the geographic boundaries of the Capital Region Council of Governments (Connecticut has no counties), will be used. A listing of those towns and cities can be found on A.29. This listing has been prepared as an effort to compare such financial information.

Effective Tax Rate

The Effective Tax Rate is the property tax expressed as a percentage of its market value.
(Tax divided by Market Value = Effective Tax Rate)

Effectiveness

Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objections.

Efficiency

Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources. Efficiency necessarily presupposes effectiveness.

Encumbrances

Encumbrances are funds from requisitions and purchase orders that have been committed for the account, but not yet invoiced.

Equalized Cost Sharing (ESC) Grant

The ESC formula provides aid to towns based on:

(1) Town wealth, determined 50% by Equalized Net Grand List Per Weighted Student and 50% by Equalized Net Grand List Per Capita, adjusted to reflect each town's per capita and median household incomes;

(2) A State Guaranteed Wealth Level (SGWL) set at 1.55 times median town wealth;

(3) A foundation amount set at $5,891 per need student; and

(4) Each town's need student count, composed of its resident students, plus ¼ of its Temporary Family Assistance (TFA) count, plus ¼ of its mastery count, plus 1/10 of its count of Limited English Proficient (LEP students not funded pursuant to §10-17f. For purposes of determining each town's need student count, TFA counts are frozen at FY 96-97 levels.

(5) In addition to its base aid ratio determined by town wealth as noted above (wherein no town can receive an aid ratio that is less than 6%), each town is eligible for a supplemental aid ratio of up to 4% times the foundation amount, times the portion of need student count driven by TFA, mastery count and extended school year weighting. The supplemental aid ratio is based on TFA counts and the percentage of students performing below the remedial standard on the statewide mastery test.

Equalized Mill Rate

Equalized Mill Rate is the result of a procedure used to make mill rates comparable among towns. Each town's Net Grand List is divided by its stated Assessment Sales Ratio. The resulting figure is then divided by the amount needed to be raised by taxes resulting in the Equalized Mill Rate.

(Net Grand List divided by Assessment Sales Ratio = Adjusted Net Grand List)

(Budget Needs [*taxes to be raised to meet the budget]* divided by Adjusted Net Grand List = Equalized Mill Rate)

Expenditure

Decreases in net financial resources under the current financial resources measurement focus not properly classified as *other financing uses.*

Fiduciary Funds (Appropriated within General and Sewer Special Revenue Funds)

Trust and Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include pension trust and agency funds.

Post-Retirement Medical Benefits Trust Fund is to provide funding for the actuarially determined share of the Town of Avon's liability for post-retirement employee medical costs and to fund all or part of such liability on an annual basis using revenues generated by the Trust Fund.

Pension trust funds are accounted for similar to private business. They account for the accumulation of resources for pension benefit payments to qualified employees: Police, Public Works, Non-Organized, Board of Education, and Dispatchers. The appropriations for this fund are in the General Fund and the Sewer Special Revenue Fund.

Fund

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.

Fund Balance

The difference between fund assets and fund liabilities in a governmental or trust fund.

Fund Balance Policy (Town of Avon Board of Finance)

Any use of surplus should only be considered by the Board of Finance after a showing of substantial support for such use by the requesting authority (including the Town Council and the Board of Education). The Board of Finance shall exercise its discretion in finding whether or not there has been the requisite 'substantial support' for such request. Demonstration of 'substantial support' alone shall not be sufficient basis to approve such request. The following additional criteria must also be met.

Approval of any request for the use of surplus shall only be given upon a finding by the Board of Finance that such use will meet an extraordinary need or unusual opportunity, which need or opportunity must be timely met. Such need or opportunity must have characteristics demonstrating real and immediate circumstances which compels the extraordinary measure of using surplus. The proponent of such use

must demonstrate, and the Board of Finance must find, that such use will result in a tangible and significant benefit to the Town, which benefit outweighs the extraordinary process of utilizing surplus funds.

Fund Balance Policy (Town of Avon Town Council)

It is the policy of the Town of Avon to maintain an Unreserved/Undesignated General Fund Balance of either 1) a minimum of 10% of actual revenues or 2) an average Unreserved/Undesignated General Fund Balance of 10% of actual revenues over the last three years.

General Fund (Appropriated)

The General Fund is the general operating fund of the Town and operates under a legal budget. It is used to account for all financial resources except those required to be accounted for in another fund.

a. General Government
b. Public Safety
c. Public Works
d. Health and Social Services
e. Recreation and Parks
f. Cultural and Education
g. Conservation and Development
h. Miscellaneous

General Purpose Financial Statement (GPFS)

GPFS are statements issued to parties outside the management of an institution. These are provided to creditors, donors, public officials outside the institution, and other external parties

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.*

GIS ArcEditor

Software designed for editing computer applications that store, view and analyze geographical information, especially maps.

Governmental Accounting Standards Board (GASB)

The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the NCGA.

Government Finance Officers Association (GFOA)

GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906. Membership in GFOA is open to everyone whose career, studies or interests involve government financial management.

Grand List

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

Internal Service Funds (Appropriated within General and Sewer Special Revenue Funds)

Proprietary fund type that may be used to report any activity that provides goods or services to other funds, department, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The Internal Service Fund is used to account for risk financing activities as allowed by GASB Statement No. 10. The Medical Claims Fund is the Town's only Internal Service Fund. The appropriations for this fund are in the General Fund and Sewer Special Revenue Fund.

International Organization for Standardization (I S O)

ISO is the world's largest developer of standards. They provide governments with a technical base for health, safety and environmental legislation.

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.

Municipal Solid Waste (MSW)

MSW is more commonly known as common trash or garbage, and consists of everyday items such as product packaging, food scraps, and other non-hazardous items.

National Council of Governmental Accounting (NCGA)

NCGA was the private sector standard-setting body for governmental accounting, auditing, and financial reporting from 1968 until 1984, when the Governmental Accounting Standards Board (GASB) was established.

National Crime Information Center (NCIC)

NCIC is a computerized index of criminal justice information (i.e., criminal record history information, fugitives, stolen properties, missing persons). It is available to Federal, state, and local law enforcement and other criminal justice agencies and is operational 24 hours a day, 365 days a year.

Net Assets

Net Assets are the differences between a government's assets and its liabilities. They are the resources that can be used to provide service and operate the government – against its liabilities – its obligations to turn over resources to other organizations or individuals.

Net Grand Levy

The Net Grand Levy is the amount a municipality must raise in a fiscal year from property taxes, i. e., the total budget minus state and federal funds, fees, and charges, and other sources of revenues.

Net Grand List

The total of all taxable property minus exemptions.

Nonspendable Fund Balance

This represents fund balance that cannot be spent due to form (e.g., inventories and prepaid amounts).

Object (of Expenditure)

This term is an expenditure classification. It applies to the types of item purchased, or the service obtained. Examples include salaries, supplies, professional services, et cetera. Section S (Supplemental Data) lists the Budget by Object.

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 financing uses* category is limited to items so classified by GAAP.

PILOT (Payment in Lieu of Taxes)

Payment that a property owner not subject to taxation makes to a government to compensate it for services that the property owner receives that normally are financed through property taxes.

Program

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

Property Assessment

The determination of value upon which property taxes will be imposed.

Restricted Fund Balance

This represents fund balance amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Retained Earnings

Net income and losses of all prior periods adjusted for transfers and amounts of depreciation charged to contributed capital.

Revenues

Revenues are the increase in assets of governmental funds that do not increase liability or recovery of expenditure. Revenues are obtained from these major sources:

Property Tax and Assessments: Property Tax Assessments are ad valorem taxes levied on an assessed valuation of real and/or personal property. Sewer assessments are collected from properties benefiting from Town sewer improvements.

Intergovernmental Revenues: Intergovernmental Revenues are revenues from other governments in the form of operating grants, entitlements, shared revenues, or payments in lieu of taxes.

Licenses, Fees and Permits: Licenses, Fees and Permits are revenues from businesses and occupations that must be licensed before doing business within the government's jurisdiction, and from all non-business licenses and permits levied according to the benefits presumably conferred by the license or permit.

Charges for Current Services: Charges for Services are charges for current services exclusive of revenues of proprietary funds, i.e., recording of legal instruments, special police services, protective inspection fees, sewerage charges, vital statistics and recreation fees.

Other Local Revenues: Other Local Revenue is made up of investment earnings, rents, and contributions and donations from private sources. Investment earnings are compensation for the use of financial resources over a period of time. Rents are financial resources derived from the use by others of the government's tangible and intangible assets. Contributions and donations from private sources are financial resources provided by private contributors.

Other Financing Sources: Other Financing Sources are financial inflows from other funds of the government reporting entity. These are increases in current financial resources that are reported separately from revenue, to avoid distorting revenue trends. Special items that result from significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence, are reported in this category. The use of the *other financing sources* category is limited to items so classified by GAAP.

Special Revenue Funds (Appropriated)

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and operate under legal budgets.

Forest Park Management Fund: To provide a dedicated source of revenue from, and improvements and maintenance to, Town-owned or Town-managed forests, parks and open space areas.

Sewer Fund: To account for the collection of sewer use charges used to partially defray the operating expenditures related to sewer use and to account for the collection of inspection fees which are used to reimburse the Town for engineering and inspection services incurred by the General Fund. The fund also accounts for the collection of sewer connection charges and sewer assessments.

Police Special Services: To account for Police services on a reimbursement basis to individuals, businesses and groups for which the Town is, in turn, compensated.

Town Aid Road Fund: To account for improvements to Town roads funded by State funds.

Recreational Activities/Facility Maintenance/Senior Citizen Recreation Funds: To account for various programs conducted by the Recreation Department and include covering all direct costs for reimbursable expenses associated with running these activities.

Local Capital Improvement Program: To account for funding pursuant to Public Act 87-584 to reimburse municipalities for funds spent on infrastructure projects.

Fisher Meadows/Fisher Old Farms: To account for uses of conservation, farming, recreation, and open space in accordance with deeds, agreements, and grant requirements of the Fisher Family and the State of Connecticut.

State and Federal Education Grants Fund: To account for State and Federal education prepayment grants. Resources utilized in the various programs for this fund are determined by the Board of Education.

School Cafeteria Fund: To separately account for the operations of the school cafeterias. The Town's participation in the State- administered Federal Child Nutrition Program is reported in this fund.

Use of School Facilities Fund: To account for user charges and expenditures associated with the after school use of Board of Education facilities by outside organizations.

Post-Retirement Medical Benefits Trust Fund is to provide funding for the actuarially determined share of the Town of Avon's liability for post-retirement employee medical costs and to fund all or part of such liability on an annual basis using revenues generated by the Trust Fund.

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 Avon 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 Poors and Moody's Investors Service regard a 5% to 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 Avon responsible for appointive, legislative and contractual duties, as outlined in the Town Charter and State Law. The Council is composed of five 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.

Town Meeting

The Annual Budget meeting to receive and consider a resolution for the adoption of the Annual Budget is held on the first Monday in May. The Annual Budget meeting is adjourned to an automatic referendum to be held not less than 7 days or more than 14 days. Special Town meetings may be held at any time, as provided for in the Town Charter or State Statutes.

Unassigned Fund Balance

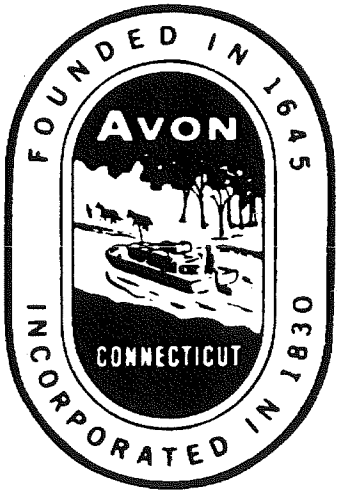
This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

Uncollectibles

These represent uncollectible taxes which could be collectible in future years (with incumbent penalties assessed in accordance with state law), various tax abatement programs authorized by the state for eligible Senior Citizens, disabled, and handicapped individuals.

Underlying Assumptions

The reason why a statement is made or an action is taken.


FOUNDED IN 1645
AVON
CONNECTICUT
INCORPORATED IN 1830