

Glossary

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

Ad Valorem Tax - A tax levied on the assessed value of both real and personal property in proportion to the value of the property (also known as “property taxes”).

Agency Funds - Consist of resources received and held by the governmental unit as an agent for others; for example, taxes collected and held by a municipality for a school district.

Assessed Valuation - The taxable value of any real or personal property. The taxable value of residential real estate is 11.5% of market value. The taxable value of commercial property is 25% of market value.

Assets - Resources owned by the city which have monetary value.

Budget - A financial plan for a specified period of time of the governmental operation that matches all planned revenues and expenditures with the services provided to the residents of the city.

Balanced Budget – A budget in which receipts equal outlays for a fiscal year.

BID - Acronym for Business Improvement District. Revenues for the business improvement districts are derived from fees paid by the businesses within the established districts. (See Aggieville Business Improvement District and Downtown Business Improvement District)

Bond - A written promise to pay a specified sum of money (face value) at a fixed time in the future (maturity), fixed rate of interest, and usually payable over a period of time.

Budget Impact – The financial impact of a project within the Capital Improvement Program to the current budget year. The budget impact may be less than the total Project Cost if the project is to be financed more than one year.

Budget Law - By state law cities may not spend more than was adopted by the governing body at a public hearing, unless that city amends the budget. To amend the budget, the governing body must publish a notice in the official newspaper, hold a public hearing, and approve another budget appropriation ordinance.

Capital Outlays - Expenditures which result in the acquisition of, or addition to, fixed assets such as buildings, building projects, equipment and land.

Capital Projects Fund - Accounts for the acquisition and construction of major capital assets not being financed by proprietary or fiduciary funds.

Cash Balance - Surplus money in any fund that is carried over into the next fiscal year. This calculation is determined by taking total estimated revenues less total estimated expenditures,

which equals the cash balance or surplus. For budget purposes, the cash balance line item is treated as revenue in every fund.

Cash Basis Law - Each budgeted fund is treated as a separate operation or "business" referred to as fund accounting. Under state law, money cannot be spent from a fund if there is no cash balance in that fund, even if the fund has remaining budget authority. Also, except for bond issues, a governing body may not obligate funds to a future fiscal year.

Cash Reserves - The budgeted cash surplus at the end of the year. The actual amount carried over into the next year will be more or less, depending upon what happens to revenues and expenditures in the fund during the prior year.

CDBG - Acronym for Community Development Block Grant, which funds local community development activities such as affordable housing, anti-poverty programs, and infrastructure development.

CIP - Acronym for Capital Improvements Program. The CIP is the City's six-year plan for purchasing equipment, projects or public improvements. Each year the plan is updated and modified. The plan is a framework for action. Capital improvements generally are classified as projects or equipment over \$5,000, and are depreciated over time.

Commodities - Items of expenditure, which are consumed or show a material change in their physical condition. Examples include office supplies, repair parts and fuel.

Contractual Services - Costs of services provided by external entities.

Debt Service Fund - A fund established to finance and account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. (Also referred to as Bond and Interest Fund.)

Delinquent Taxes - Taxes remaining unpaid on and after the date to which a penalty for non-payment is attached. The unpaid balances continue to be delinquent until abated, paid or converted into tax liens.

Depreciation - Expiration of the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence.

Enterprise Fund - A fund established to finance and account for operations that are financed and operated in a manner similar to private business enterprises intended to cover the cost of providing services primarily through user charges. Examples of enterprise funds are water, wastewater and stormwater operations.

Expendable Trust Funds - A trust fund in which the fund balance can be expended for a purpose specified in the trust agreement.

Expenditure - An outlay of cash for the purposes of acquiring an asset or providing a service.

Fee in Lieu of Taxes - On occasion, the City issues Industrial Revenue Development Bonds to finance the construction of manufacturing, retail, or industrial buildings and the purchase of equipment. In some instances, the City exempts these firms from property taxes, and instead imposes a fixed fee in lieu of a property tax. This fee is paid to the County and the County Treasurer distributes this fee to taxing jurisdictions based on each taxing jurisdiction's tax levy rate. These fees are distributed to applicable funds according to the current tax levy rate.

In addition, the City's General Fund charges the Housing Authority, Water, and Sewer operations a fee in lieu of tax, since all real and personal property for the Housing Authority and these utility operations are not on the property tax rolls.

Fiscal Year - The City of Manhattan budget is on a calendar year basis, which runs from January 1 to December 31 of each year.

Fixed Assets - Assets of long-term character that are intended to continue to be held or used, such as land, buildings, furniture, and other equipment.

Franchise Fees - By local ordinance the City charges Westar Energy, Kansas Gas Service, AT&T, and Cox Communications a fee for the right to use city streets and rights-of-way for the placing and maintaining of equipment and property. The franchise fee for electric and gas 4% of gross revenues, 5% of gross revenues for cable television, and for AT&T the franchise fee is \$1.20 per line. In addition, the City charges the municipal water and sewage operations a franchise fee of 5% of gross revenues for the same privilege. Most franchise fees are placed in the General Fund. Some are placed in the City University Fund.

Full Faith and Credit - A pledge of the general taxing power for the payment of debt obligations. Bonds carrying such pledges are usually referred to as general obligation bonds.

Function - A group of related activities aimed at accomplishing a major service or regulatory program for which the City is responsible. For example, public safety is a function.

Fund - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources, (together with all related liabilities, obligations, reserves and equities) 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 difference between an entity's assets and its liabilities. From a practical standpoint, for budget purposes, fund balance approximates cash.

GAAP - Acronym for Generally Accepted Accounting Principles.

GASB 34 - Governmental Accounting Standards Board Statement No. 34 requires the reporting of infrastructure and the depreciation of capital assets within a governmental entity.

Gasoline Tax - Under state law, the gasoline tax is distributed quarterly to cities across the state on a per capita basis. This money is credited to the Special Street and Highway Fund. In addition each county is required by state law to send to cities within their geographical boundaries 10% of what they receive from the State of Kansas in gasoline taxes.

General Fund - The primary operating fund for any city available for any legal authorized purpose except those required to be accounted for in another fund.

General Obligation Bonds - Bonds that are used to finance public improvement projects authorized by the Governing Body, and are backed by the full faith and credit of the City. Typically, these bonds have a maturity of 10 to 20 years and are financed by special assessments, a property tax levy, or in some instances user fees. On occasion, State law will require a referendum to issue general obligation bonds, depending upon the nature of the project.

G.O. – Acronym for General Obligation Bonds.

Governmental Type Fund - Includes the general fund, special revenue funds, capital projects funds, and debt service funds.

Highway Aid - Connecting Links - Under State law, payments are received quarterly from the State of Kansas and deposited into the Special Street and Highway Fund. This money is used to maintain state road connecting links.

Industrial Revenue Bonds - Bonds issued by the City, of which the proceeds are used to construct facilities for private industrial concerns. Payments are made by the industrial concern to the City to service the bonds.

Infrastructure - Public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable.

Inter-Fund Transfers - Any transfer of money from one budgeted fund to another. The City transfers money from the utility funds, for example, to the General Fund to reimburse the General Fund for administrative services. Inter-fund transfers are budgeted twice (as an expenditure and a revenue in each fund), resulting in an artificially high revenue and expenditure budget. However, inter-fund transfers must be budgeted to give the necessary budget authority to both funds that are affected.

Internal Service Funds - Used to account for services performed by one department to another on a cost-reimbursement basis.

K.S.A. - Acronym for Kansas Statutes Annotated.

Liquor Taxes - A state liquor tax of 10% on all alcohol sold within the city limits by a club, caterer, or drinking establishment. Each retailer collects the tax and remits the tax to the State. The State allocates 70% of the amount collected to cities and counties. The City receives quarterly payments from the State. Under State law one-third of the amount collected goes into the General Fund, one-third into the Special Parks and Recreation Fund, and one-third into the Special Alcohol Fund.

Line Item - Accounts within each division that further classifies the seven expenditure categories.

M-FRO District - Multi-Family Redevelopment Overlay District is designed to ensure that multiple-family infill development is functionally integrated into surrounding areas and compatible with the traditional character of the older neighborhoods of Manhattan.

Market Value - The appraised market price of real property. Market value is also called the "100% value" of property.

Mill Rate - The tax rate property owners pay on the assessed valuation of their property. A "mill" is \$1 of property taxes for each \$1,000 of assessed valuation. For example a homeowner having a \$5,000 assessed valuation on his/her home will pay \$5 in property taxes for each mill levied by the City, County, school district, and State.

Modified Accrual Basis of Accounting - A method of accounting that recognizes revenues in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Motor Vehicle Tax - State law levies a tax upon every motor vehicle.

The county wide average mill rate is the total amount of general property taxes levied within the county divided by the total assessed valuation of property within the county.

The motor vehicle tax received by the City is credited to each property tax supported fund based on that fund's pro-rata share of the mill levy in the preceding budget year.

Operational Expenditures - Total expenses less budgeted cash reserves, debt service, capital outlays and transfers out. In general, they are the day-to-day expenses necessary for that division or department to function properly.

Operational Revenues - Total revenues of any fund less the cash balance from the previous year plus the transfers into a Fund from another budgeted fund.

Outside Services - Part of the General Fund. These expenditures are for programs or agencies, which are not considered city government operations. Often the Governing Body will contract separately with these agencies on an annual basis.

Performance Measure - A quantitative means of assessing the efficiency and effectiveness of services performed by departments and divisions.

P&R - Acronym for the Parks & Recreation Department.

P.I.L.O.T. Fees - See "Fee in Lieu of Taxes".

Present Value - The current value (present time) of a future sum or sums at a discounted rate.

Project Cost – The total estimated cost of a project at the time it was approved as part of the Capital Improvement Program. The total project cost may be financed over more than one year.

Property Tax Levy - The calculated ratio used to assess against real property in order to determine the amount of property tax dollars necessary to meet budgeted requirements. The formula used to determine this ratio is as follows:

$$\text{annual property tax levy} = \left[\frac{\text{total property taxes required}}{\text{total assessed value}} \right] \text{ times } 1000$$

Proprietary Funds - Include the Enterprise and Internal Service Funds. These funds are self-supporting, in that the user fees totally support all operational and capital costs.

Reserve - An account recording a portion of the fund equity that must be segregated for some future use and is not available for further appropriation or expenditure.

Revenue Bonds - Bonds that are used to finance public improvement projects authorized by the Governing Body, and are backed by revenues or user fees. For example, the City could issue water revenue bonds in which revenue from water bills will be pledged to pay off the bonds. Because revenue bonds are not backed by the full faith and credit of the City, namely a property tax levy, they are a riskier investment for a prospective buyer of these bonds. Consequently, the interest rate the City will pay is higher than a general obligation bond. Usually a referendum is not required to issue revenue bonds.

Sales Tax - The City levies a 1¼% sales tax on items sold at retail. One-half of the revenue derived from this tax goes to the General Fund. Another half goes to the Sales Tax Fund, which is used to reduce property taxes. The remaining one-fourth goes to USD No. 383. In addition, the City receives a portion of the sales tax levied by Riley County, which is also credited to the General Fund.

Special Assessments - "Specials" consist of revenues from property owners who benefit from certain public improvements such as water and sewage lines, sidewalks, streets, and storm sewers. Special assessments are not a "tax" but a "user fee." The assessments, however, are included on the property tax bill sent out by the County each November. "Specials" are usually paid by the property owner over a period of 10 to 20 years. The interest rate paid by developers or property owners is the same rate that the City is able to sell its general obligation bonds.

In many cities public improvements are not publicly financed. A developer is required to find private financing at conventional interest rates. These costs are attached to the price of the lots and homes sold by the developer.

Because the City of Manhattan issues tax exempt general obligation bonds to finance public improvements, developers and homeowners are able to secure lower interest rates. By publicly financing public improvements through the use of special assessment bonds, a government is able to help the construction industry keep the cost of housing down and stimulate the local economy.

Special Revenue Fund - A fund used to account for the proceeds of specific revenue sources that can only be spent for certain purposes.

STAR Bonds - The STAR (sales tax revenue) bond program provides Kansas municipalities the opportunity to issue bonds to finance the development of major commercial entertainment and tourism areas, and use sales tax revenue generated by the development to pay off the bonds.

TNO District - Traditional Neighborhood Overlay District addresses infill housing and neighborhood stability issues in the older neighborhoods of the community. It is tailored to address the unique site plan and building character issues found in these areas.

Tax Increment Financing (TIF) - Debt secured by an incremental tax earmarked for servicing the debt, such as a half-cent sales tax, or payable from taxes derived from incremental growth in the tax base that was financed by the tax increment

Transient Guest Tax - The City imposes a 5% tax on all hotel and motel rooms within the City limits. The Kansas Department of Revenue collects the tax and remits it to the City on a quarterly basis. The proceeds go into the Tourism and Convention Promotion Fund.

U.S.D. 383 - Unified School District 383 is the public school district within the geographical area of the City of Manhattan.

User Fees - All fees charged by the City for the use of certain programs or facilities such as the zoo, recreation programs, permits, licenses, airport, etc.

Zoo Admission Fees - The City began a zoo admission fee in 1989. Income generated from the zoo admission fee is credited to the Special Sunset Zoo Fund and is used to finance special zoo improvements either on a pay-as-you-go basis or to pay principal and interest on zoo improvement bonds.