

GLOSSARY OF TERMS

Page 1 of 4

Accrual Basis

The basis of accounting under which revenues are recognized when earned and expenditures are recorded as soon as they result in liabilities for benefits received, notwithstanding that the receipt of the revenue or the payment of the expenditure may take place, in whole or in part, in another accounting period. The accrual basis of accounting is used for the proprietary funds (enterprise and internal service funds). The modified accrual basis is used for budget preparation of all governmental fund types.

Appropriation

An authorization granted by a legislative body to make expenditures or to incur obligations for a specific purpose. The expenditures are limited to the fiscal year, July 1 of each year to June 30th of the next year.

Capital Improvement Program

A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program. Funds are usually accumulated to provide funding for replacement or major maintenance of buildings or equipment.

Contingency

Contingency budgets are utilized for unforeseen expenditures, which may arise during the fiscal year.

Entitlement

Term used by the State to designate replacement revenue to local governments for revenues to be assumed by the State, which previously had been distributed to local governments based on mill levy or other formulas. See House Bill 124.

Enterprise Funds

Enterprise funds are utilized to report and account for the activities of businesslike operations, which are primarily supported from user fees and charges for services. The County reports the METRA's operations and the solid waste (refuse disposal) fund as enterprise funds.

General Obligation Debts

Bonds Issues approved by the voters that are direct obligations and pledge the full faith and credit of the County and are funded by property taxes.

Geographic Information System (G.I.S.)

A system of hardware, software, and procedures designed to support the capture, management, manipulation, analysis, modeling and display of spatially referenced property data for solving complex planning and management problems.

GLOSSARY OF TERMS

Page 2 of 4

Governmental Funds

Reflects the type of funds used by local governments which are segregated for the purpose of carrying on specific activities or sustaining certain objectives in accordance with special regulations, restrictions or limitations. The fund types utilized by Yellowstone County are General, Special Revenue, Debt Service and Capital Project.

Fiscal Year

Most governmental operations report their financial position and the results of their operations on an annual cycle of July 1 through June 30. Appropriations are authorized for the same period.

Fund

A fund is used to account for the operations and financial position of a specific purpose or use of money.

Fund Balance

The difference between assets and liabilities reported in a governmental fund.

House Bill 20 – (HB 20)

A legislative act adopted during the June 1989 Special Session reducing class 8, 9 and 10 property currently taxed at 11, 13 and 16% respectively of its appraised valuation to class 8 property currently taxes at a 9% rate of its appraised valuation. The estimated loss in tax revenues, due to this legislation, will be reimbursed by the state to local government. The reimbursement is currently being phased-out at 10% per year thru FY09.

House Bill 124 – (HB 124)

A legislative act passed in the 2001 session which was developed as a method to streamline certain revenue distributions collected by State and local government. Although a complicated bill, the main intent of the bill was to have certain revenue sources be distributed to the State and revenues lost to local government would be replaced by a single revenue distribution from the State (referred to as the entitlement). The entitlement has an annual inflation adjustment based on statewide growth.

Initiative 105 - (I-105)

Passed by voters in November of 1986. The original initiative put a freeze on class 3, 4, 6, 9, 12 and 14 property to 1986 assessments. The 1987 legislative session expanded the freeze to all classes of property. The freeze did not effect special assessments, property taxes for general obligation debt, or emergency levies. In addition, the freeze did not restrict local government from generating more tax dollars because of new construction reappraisal. The freeze was imposed by taxing districts boundaries. Most of the impact of this legislation has been modified by subsequent legislation.

GLOSSARY OF TERMS

Page 3 of 4

Market Value

As it relates to property, market value represents the State's determination of relative value of piece of property as of a specific date using valuation techniques established by the Department of Revenue.

Millage (Mills)

Taxing jurisdictions, which utilize ad valorem taxes or taxes assessed based on the value of an item, set millage to determine tax revenue. Millage is multiplied times a property's taxable value (as determined by the State) to determine a taxing district's tax revenue. Millage is generally levied by local governing bodies, but is usually limited under statute.

Modified Accrual

The basis of accounting under which revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred. Tax revenues are recognized when collected. The budget is set utilizing this method of accounting.

Reserve

Represents a designated portion of Fund Balance or Retained Earnings to indicate that it is to be used for a specific purpose. **Unobligated reserves** indicate that portion of the prior year-end cash balance plus current receivables less current payables which is available to assist the funding of current year appropriations.

Senate Bill 176 – (SB 176)

2001 legislation which transferred administration of juvenile probation and district court judges support staff to the State. When the State assumed the administration of these departments, the related costs reduced the entitlement reimbursement to the County in a like amount.

Senate Bill 339 – (SB 339)

A legislative act passed in the 2001 session which transferred the costs associated with the office of public assistance (welfare) to the State. The transferred costs, based on FY01 levels, will be deducted from the County's entitlement (see HB124).

Senate Bill 417 – (SB 417)

1995 legislation which reduces the tax rate on personal property from 9% to 8% in 1997; and 7% to 6% in 1998. Lost revenue from the tax rate reduction is fully reimbursed by the State through 1998 with 10% annual reductions beginning in 1999 for SB 417 and HB 20 reimbursements.

Special Assessment

A fund set up to finance and account for the construction of improvements or provision of services which are to be paid for, wholly or in part, from special assessments charged to benefitted property.

GLOSSARY OF TERMS

Page 4 of 4

Special Revenue

A fund used to account for revenues from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government. After the fund is established, it usually continues year after year and discontinued or revised by proper legislative authority.

Taxable Market Value

Taxable market value is market value adjusted by statutory exemptions. Taxable market value times the tax rate results in taxable value.

Taxable Valuation

Taxable valuation is determined by the State utilizing formulas set by statute. The recent changes to properties' taxable values has made comparison with prior years less meaningful. Changes to various components of the formula have had impacts to tax levies in order to generate revenues equal to prior year amounts as adjusted by statutory allowances.

(Market value) less (exemptions) = taxable market value

(Taxable market value) times (tax rate) = taxable value

(Taxable value) times (mill levy) = general taxes

Tax Increment District

A special tax district, whose boundaries included a portion of the downtown area of the City of Billings, created to promote urbanized development and improvements to the City center. Any valuation increase over values established in 1976 were assessed millage equal those assessed properties in School District Number 2. The taxes generated were then remitted to the City of Billings for administration of urban development. The legislation allowing this development process sunset in December 1988. However, since many of the projects were financed with long-term debt, the district would continue until all debt was satisfied which would be in the year 2008.