



**VILLAGE OF LAKE BLUFF**  
**BUDGETARY AND FINANCIAL POLICIES**

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## **Statement of Purpose**

The Village of Lake Bluff and its governing body is responsible to the citizens to safeguard and properly account for all public funds, to manage Village finances in a sound manner and to plan for the funding of services desired by the public including the provision and maintenance of facilities. These Village policies are designed as guidance for fulfilling these responsibilities as well as maintaining fiscal stability of the Village.

These policies will be adopted by the Village Board and reviewed annually by the Finance Committee.

## **Policy Goals**

This fiscal policy is a statement of the guidelines and goals that will influence and direct the financial management practices of the Village. Budgetary and financial policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Effective policy:

- Contributes significantly to the Village's ability to insulate itself from fiscal crisis,
- Enhances short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the Village rather than single issue areas,
- Promotes the view of linking long-term financial planning with day-to-day operations, and
- Provides the Board and the citizens with a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

## **Budget Policies**

The guiding principle of budgetary policy is to achieve structural balance between revenues and expenditures to ensure that desired service levels are provided on a sustainable basis.

The Village adheres to a comprehensive budget format, utilizing a line item budget with the inclusion of performance measurement and productivity indicators wherever possible. A cash basis budget is adopted each year for all funds of the Village with the exception of inactive Special Revenue or Capital Projects Funds. All budgetary expenditures are incorporated into a budget ordinance and appropriations lapse at year end. The Village does not use encumbrance accounting; therefore, expenditures that are not substantially incurred by the end of the fiscal year must be re-appropriated in the next fiscal year budget except for multi-year capital improvement projects. The budget ordinance shall be adopted at the legal level of budgetary control, which is the Fund/Department level.

Standard Budget Policies

1. Seek and encourage resident input in budget planning issues and service level decisions.
2. Review all services provided and strive to maintain the services at existing levels, unless specific variances are granted by the Village Board. Each service should be examined thoroughly to determine if it is still necessary or can be provided in a more cost-effective way.
3. Pay for all recurring expenses with recurring revenues, and use non-recurring revenues for non-recurring expenses.
4. Proceeds from land sales shall be used to repay the fund that initially purchased the land or the debt incurred to acquire the land unless intended for other legislative initiatives directed by the Village Board or such proceeds.
5. Modify spending during the fiscal year when expenses appear to exceed revenues within a fiscal year unless use of excess fund balance reserves was planned.
6. Protect the Village's assets by maintaining adequate insurance coverage through either commercial insurance or risk pooling arrangements with other governmental entities.
7. Consistent with Resolution #2005-6, abide by the 1991 Property Tax Extension Limitation Act ("PTELL"), which limits the annual increase in property tax extensions to the lesser of 5 percent or the increase in the consumer price index, plus allowances for new construction, annexations, or voter approved increases.
8. Prepare a monthly financial report comparing actual revenues and expenditures to budgeted amounts to be presented to the Village Board.
9. The Village will annually seek the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award.

Operating Budget Policies

1. Maintain a contingency budget for unanticipated expenses.
2. Review all contract services and other charges for cost effectiveness and to determine if there are alternative methods to perform these services at less cost.
3. Review the potential for outsourcing/contracting services for each Village operating department.
4. Follow funding priorities that emphasize efficiencies and economy with established criteria including the number of residents benefiting from specific services or programs.
5. Limit staff increases to areas where approved program growth and support require additional staff. The Board will also seek to maintain authorized personnel at the lowest levels possible consistent with the service plan authorized.
6. Annually review the Official Pay Plan including salary ranges using rates of comparable communities for positions with similar responsibilities.
7. Fully fund at least the minimum obligation of the Police Pension Fund as determined based on the State actuarial methodology.

Capital Budget Policies

1. Conduct a detailed analysis of the capital improvement proposals for the current year, review projects identified for future years, and establish a five year capital improvement plan. Review the funding sources for all projects proposed to reflect financial implications.

2. Conduct a detailed review of all capital equipment requests to determine current needs, cost effectiveness, and ramifications if deferred or eliminated.
3. Coordinate development of the capital budget with development of the operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget forecasts.
4. Adhere to the thresholds, depreciation methods, and useful lives established in the Fixed Asset Policy Manual, as amended from time to time.
5. Maintain level and complete budgeting for building and capital equipment to avoid erratic changes from year to year for on-going maintenance and replacement of Village facilities and equipment.
6. Adequately fund the Vehicle/Equipment Replacement Fund.
7. Abide by the following financing parameters for the establishment of a special service area:
  - a. Amortization period not to exceed 10 years;
  - b. Interest rate at market rate on date of bond sale or
  - c. Village financed projects will be not less than the Municipal Market Data rate for uninsured AAA bonds + 2%. Rate will be set on the construction start date;
  - d. All financing, legal and other related costs shall be included in the cost of the project,
  - e. If the Village is required to provide related capital project funding earlier than planned due to the establishment of the SSA, the funding shall be from General Fund balance. At no time shall the establishment of the SSA cause the General Fund fund balance to decline to less than the minimum fund balance target as defined in this policy document.

### **New Programs/Expansions**

New program initiatives and program expansions must be submitted as budgetary enhancements requiring detailed justification that will be evaluated on the basis of its impact on health and safety, the environment, public expectations, minimum industry standards for infrastructure conditions, and adherence to the Village's organizational goals. New programs and program expansions will be measured in terms of their overall fiscal impact and include analysis of long-term costs.

### **Revenue Guidelines**

1. Maintain a diversified and stable revenue structure to provide flexibility to adapt to short-term fluctuations in any one revenue source.
2. The Village Board will determine tax levy allocation amounts to the General Fund, Police Pension Fund, Illinois Municipal Retirement Fund (IMRF), and Social Security Funds.
3. Conservatively review and estimate projected revenues.
4. Institute user fees and charges for specialized programs and services the Village provides as well as conduct an annual analysis of all user fees, charges, and fines to assure proper charges for services and recommend appropriate changes.
5. Conduct an annual detailed review of the Water Fund charges and recommend cost effective changes in line with operating expenses and capital needs.
6. Routinely identify intergovernmental aid funding possibilities. Before applying for or accepting intergovernmental aid or grants, the Village will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars

will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits.

### **Grants**

The Village will evaluate the long term implications of grant opportunities. Nonetheless, the Village will pursue grants that are aligned with the Village's mission and goals. Grant funds will be accounted for in accordance with the grant agreement.

1. All grant applications, prior to submission, must be approved by the Village Administrator.
2. No grant will be accepted that will incur management and reporting costs greater than the grant amount.

### **Fund Balance Classification Policies and Procedures**

An appropriate level of budgetary fund balance is established for each fund based on historical and projected stability and predictability of the underlying revenues and expenditures. In non-governmental funds, the Village may assign funds for a specific purpose as an internal budgeting procedure. Reserves are established to:

- a. Provide for settlement of pending labor contract negotiations;
- b. Provide for temporary funding of unforeseen needs of an emergency or non-recurring nature;
- c. Permit orderly budgetary adjustments in the event of unanticipated revenue shortfalls;
- d. Provide for temporary funding of unforeseen capital expenditure opportunities.

### Governmental Funds

1. The Village will spend the most restricted dollars before less restricted, in the following order: (1) restricted, (2) committed, (3) assigned, and (4) unassigned.
2. Committed Fund Balance shall be established, modified or rescinded through a Village Board resolution.
3. Assigned Fund Balance will generally follow the approved budget and may be assigned to a specific purpose by the Director of Finance.
4. It is the policy of the Village of Lake Bluff to maintain unassigned fund balance in the General Fund to fund operations referred to as "cash flow commitment". The goal is to have a cash flow commitment in the General Fund that is adjusted annually with the adoption of the annual budget and is calculated as 30% of General Fund budgeted operating expenditures (personnel, contracts and commodities, and debt service payments and transfers.)

### Proprietary Funds

1. Proprietary Funds shall maintain a fund balance reserve of 25% of operating expenses plus three years of depreciation expense.
2. Beginning budgetary fund balance for proprietary funds shall be determined as current assets less current liabilities (exclusive of debt principal due in the next fiscal year), as reported in the most recently issued Comprehensive Annual Financial Report (CAFR).

### **Debt Policies**

The Village will:

1. not fund current operations from the proceeds of borrowed funds;
2. restrict general obligation debt to no more than 5% of the most current equalized assessed property valuation available;
3. limit annual general obligation debt payments to 10% of the general fund revenues from the most recent CAFR;
4. confine long-term borrowing to capital improvements, projects, or equipment that cannot be financed from current financial resources;
5. analyze market conditions, and long-term capital needs prior to issuance to determine the most advantageous average life. The debt structure may be lengthened during low interest rates and shortened during high rates.
6. look for both current and advance refunding opportunities in order to save interest expense;
7. maintain financial practices consistent with available Moody's Guidelines to preserve its Aaa rating;
8. retain open communications with bond and credit rating institutions about its financial condition; and
9. follow a policy of full disclosure in the CAFR and official statement/offering document.

### **Accounting, Auditing, and Financial Reporting Policies**

1. The Village will establish and maintain a high standard of accounting practices in conformance with uniform financial reporting in Illinois, and Generally Accepted Accounting Principles (GAAP), for governmental entities as promulgated by the Governmental Accounting Standards Board (GASB).
2. The Village's financial accounting system will maintain records on a basis consistent with accepted standards for local government accounting, (according to GASB).
3. The Village will strive to collect its receivables pursuant to the Accounts Receivable Policy, as may be amended from time to time.
4. The Village will retain the right to perform financial, compliance, and performance audits on any entity receiving funds or grants from the Village.
5. The Village will engage an independent firm of certified public accountants to perform an annual financial and compliance audit according to Generally Accepted Auditing Standards (GAAS) and will have these accountants publicly issue an opinion which will be incorporated in the Comprehensive Annual Financial Report (CAFR).
6. The Audit Committee will be comprised of the three member Finance Committee of the Village Board, the Village Administrator, and the Director of Finance.
7. The Audit Committee is responsible for approving the selection of the independent firm of certified public accountants, to perform an annual financial and compliance audit, defining the audit scope and receiving the report of the auditor.
8. The Village will rotate independent auditors every six years unless extenuating circumstances allow for up to another two years engagement.
9. The Village will annually seek the GFOA Certificate of Achievement for Excellence in Financial Reporting.

### **Investment and Cash Management Policies**

The Village will follow the investment and cash management policy approved by the Village Board, as amended from time to time.

**GLOSSARY**

The following abbreviations may be used in this document. Please refer to the full name in the glossary for the definition.

**ABBREVIATIONS:**

|                |   |
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| <b>CAFR</b>    | Comprehensive Annual Financial Report   |
| <b>COPS</b>    | Certificates of Participation Debt  |
| <b>EAV</b>     | Equalized Assessed Valuation  |
| <b>FOIA</b>    | Freedom of Information Act  |
| <b>GASB</b>    | Governmental Accounting Standards Board   |
| <b>GFOA</b>    | Government Finance Officers Association   |
| <b>G.O.</b>    | General Obligation  |
| <b>(I)GFOA</b> | Government Finance Officers Association (national) and Illinois Chapter                       |
| <b>ICMA RC</b> | International City Management Association – Retirement Corporation – Deferred Retirement Plan |
| <b>IMRF</b>    | Illinois Municipal Retirement Fund – Defined Benefit Plan                                     |
| <b>IRMA</b>    | Intergovernmental Risk Management Agency – Risk Pooling Agency                                |
| <b>OPEB</b>    | Other Postemployment Benefits – See GASB Statement 45   |
| <b>SSA</b>     | Special Service Area  |

**GLOSSARY:**

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| <b>Abatement</b>                   | A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments and service charges.  |
| <b>Accrual Basis</b>               | The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government. |
| <b>Activity</b>                    | 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).   |
| <b>Actuarial Accrued Liability</b> | Term used in connection with defined benefit pension plans. That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs.   |
| <b>Actuarial Assumptions</b>       | Term used in connection with defined benefit pension plans. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government-provided pension benefits; rates of investment earnings and                     |

asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods; and other relevant items.

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| <b>Actuarial Value of Assets</b> | Term used in connection with defined benefit pension plans. The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The actuarial value of assets, which may represent an average value over time, normally differs from the amount reported in the financial statements, which is a point-in-time measure (i.e., as of the date of the statement of net assets). |
| <b>Ad Valorem Tax</b>            | A tax based on value (e.g., a property tax).  |
| <b>Advance to Other Funds</b>    | An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity.   |
| <b>Agency Fund</b>               | A fund normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds. The agency fund type also is used to report the assets and liabilities of Internal Revenue Code, Section 457, deferred compensation plans.  |
| <b>Appropriation</b>             | A bill or ordinance providing the expenditure authority and related estimated revenues.   |
| <b>Assessed Valuation</b>        | A valuation set upon real estate or other property by a government as a basis for levying taxes. Equalized assessed valuation means assessed valuation after the state multiplier has been applied.   |
| <b>Asset</b>                     | A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events.  |
| <b>Assigned Fund Balance</b>     | The portion of a Governmental Fund's fund balance to denote management's intended use of resources.   |
| <b>Balanced Budget</b>           | The Village defines a balanced budget when the requested expenditures, including inter-fund transfers, does not exceed the projected revenue sources including the use of reserves, except for Cash Flow Commitment.  |
| <b>Basis of Accounting</b>       | A term used to refer to <i>when</i> revenues, expenditures, expenses, and transfers-and the related assets and liabilities-are recognized in the accounts and reported in the financial statements. Specifically, it relates to the <i>timing</i> of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual method.  |
| <b>Basis Differences</b>         | 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.   |
| <b>Budget</b>                    | A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. A budget document is the instrument used by the budget-making authority to present a comprehensive financial program to the corporate authorities.  |
| <b>Budgetary Accounts</b>        | Special accounts used to integrate the annual operating budget into the general ledger, but not reported in the general-purpose external financial statements. By convention, ALL CAPS commonly are used to designate   |

budgetary accounts. The most common budgetary accounts are ESTIMATED REVENUES, APPROPRIATIONS, BUDGETARY FUND BALANCE, and ENCUMBRANCES.

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| <b>Business-Type Activities</b>   | One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.  |
| <b>Capital Improvement</b>  | Any major project requiring the expenditure of public funds (over and above operating expenditures) for the construction, reconstruction, or replacement of physical assets in the community.   |
| <b>Capital Outlay</b>   | The purchase of land, buildings, machinery, and those equipment items which have an estimated useful life of one year or more and belong to the classes of property commonly considered as fixed assets.  |
| <b>Certificate of Achievement for Excellence in Financial Reporting Program</b> | Program sponsored by the Government Finance Officers Association to encourage and assist state and local governments to prepare high-quality comprehensive annual financial reports. The program has been in continuous operation since 1946. The program originally was known as the Certificate of Conformance Program  |
| <b>Certificates of Participation Debt</b>                                       | Debt obligations secured by an installment agreement and issued pursuant to the Installment Purchase Provisions of the Debt Reform Act, as amended by Public Act 91-868 of the State of Illinois.   |
| <b>Character Classification</b>   | Expenditure classification according to the periods expenditures are presumed to benefit. The four character groupings are (a) <i>current</i> operating expenditures, presumed to benefit the current fiscal period; (b) <i>debt service</i> , presumed to benefit prior fiscal periods as well as current and future periods; (c) <i>capital outlays</i> , presumed to benefit the current and future fiscal periods, and (d) <i>intergovernmental</i> , when one government transfers resources to another. |
| <b>Committed Fund Balance</b>   | The portion of a Governmental Fund's fund balance that is limited with self-imposed constraints or limitations that have been placed at the highest level of decision making authority.   |
| <b>Commodities</b>  | All expenditures for materials, parts, and supplies, except those incidentally used by outside firms performing contractual services for the Village.   |
| <b>Component Unit</b>   | A legally separate organization for which the elected officials of the primary government are financially accountable. The Lake Bluff Public Library is a component unit of the Village.  |
| <b>Contractual Services</b>   | Expenditures for services which are obtained by an express or implied contract.   |
| <b>Debt Service</b>   | Debt service funds are used to account for the payment of interest and principal on long term, general obligation debt.   |
| <b>Deficit</b>  | Occurs when the expenditures are greater than the revenues.   |
| <b>Defined Contribution Pension Plan</b>  | 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.

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| <b>Deferred Compensation Plans</b>        | Plans that offer employees the opportunity to defer receipt of a portion of their salary and the related liability for federal income taxes. Several sections of the Internal Revenue Code authorize certain state and local governments to provide deferred compensation plans for their employees.   |
| <b>Direct Expenses</b>                    | Expenses specifically traceable to specific goods, services, units, programs, activities or functions. Indirect expenses cannot be specifically traced and must be allocated on a systematic basis.  |
| <b>Encumbrances</b>                       | Commitments related to unperformed (executory) contracts for goods or services.  |
| <b>Enterprise Fund</b>                    | A fund which accounts for an operation which is financed from user charges and whose operation is similar to a private business enterprise.  |
| <b>Equalized Assessed Valuation (EAV)</b> | Equalized assessed valuation means assessed valuation after the state multiplier has been applied. (see assessed valuation) In Lake County, Illinois this is typically 1/3 <sup>rd</sup> the market value of the property.   |
| <b>Expenditures</b>                       | Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and shared revenues. Decreases in net financial resources in Governmental Funds are expenditures.                                  |
| <b>Expenses</b>                           | Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations. Outflows in Enterprise funds are expenses rather than expenditures.                                      |
| <b>Function</b>                           | A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety)   |
| <b>Functional Classification</b>          | Expenditure classification according to the principal purposes for which expenditures are made (e.g., administration, public safety or public works).  |
| <b>Fund</b>                               | A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations. |
| <b>Fund Accounting</b>                    | A method of municipal accounting where resources are allocated to and accounted for in separate funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.  |
| <b>Fund Balance</b>                       | The difference between assets and liabilities in a governmental fund. See <i>Non-spendable Fund Balance</i> , <i>Restricted Fund Balance</i> , <i>Committed Fund Balance</i> , <i>Assigned Fund Balance</i> , and <i>Unassigned Fund Balance</i> definitions.  |

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| <b>Governmental Accounting Standards Board (GASB)</b>  | The GASB is the authoritative accounting and financial reporting standard-setting body for government entities.   |
| <b>General Fund</b>                                    | The general fund is used to account for all revenues and expenditures of the Village which are not accounted for in any other fund. It is an operating fund from which most of the current operations of the Village are financed.  |
| <b>General Obligation Bond (G.O.)</b>                  | A long term security where the general taxing power of the Village is pledged to pay both the principal and the interest.   |
| <b>General Revenues</b>                                | All revenues that are <i>not</i> required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax-for example, sales tax, property tax, franchise tax, income tax. All other nontax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues. |
| <b>Generally Accepted Accounting Principles (GAAP)</b> | 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, <i>The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report</i>   |
| <b>Government Finance Officers Association (GFOA)</b>  | An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local government since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.   |
| <b>Governmental Funds</b>                              | Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.   |
| <b>Illinois Municipal Retirement Fund (IMRF)</b>       | This retirement fund, established under statutes adopted by the Illinois General Assembly, provides employees of local governments (including Lake Bluff) and school districts in Illinois with a system for the payment of retirement annuities, disability, and death benefits. Police sworn officers are covered under a separate Police Pension Plan. IMRF is a defined benefit pension plan.   |
| <b>Impact Fees</b>                                     | Fees charged to developers to cover, in whole or in part, the anticipated cost of improvements that will be necessary as a result of the development (e.g., parks, sidewalks).  |
| <b>Improvement</b>                                     | An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset.   |
| <b>Infrastructure</b>                                  | Public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the Village.   |
| <b>Interfund Activity</b>                              | Activity between funds of the primary government, including blended   |

component units. Interfund activities are divided into two broad categories: reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

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| <b>Interfund Transfers</b>                  | A planned movement of money between funds of the same government reporting entity to offset expenses incurred in the receiving fund due to the operation of the sending fund. They include: (1) quasi-external transactions, (2) reimbursements, (3) residual equity transfers, (4) operating transfers and (5) interfund loans.   |
| <b>Lapse</b>                                | As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.   |
| <b>Legal Debt Margin</b>                    | The excess of the amount of debt legally authorized over the amount of debt outstanding. In Illinois, for non-home rule municipalities this is 8.625% of EAV.  |
| <b>Legal Level of Budgetary Control</b>     | The level at which a government's management may not reallocate resources without special approval from the legislative body.  |
| <b>Levy</b>                                 | The imposing and collecting of a tax.  |
| <b>Line-item Budget</b>                     | A form of budget which allocates money for expenditures to specific items or objects of cost. The Village of Lake Bluff budget is a line-item budget.  |
| <b>Major Fund</b>                           | A governmental fund or enterprise fund reported separately in the basic fund financial statements. The General Fund is always a major fund. Major funds have revenues, expenditures/expenses, assets, or liabilities that are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds for the same item. Funds may also be reported as a major fund if the government believes that fund is particularly important to financial statement users. |
| <b>Measurement Focus</b>                    | The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported there, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).  |
| <b>Mill</b>                                 | One one-thousandth of a dollar of assessed value.  |
| <b>Millage</b>                              | Rate used in calculating taxes based upon the value of property, expressed in mills per dollar of property value.  |
| <b>Modified Accrual Basis of Accounting</b> | 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.   |

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| <b>Net Assets</b>                         | Assets less liabilities. For budget purposes, the Water Fund net assets exclude fixed assets because they do not reflect spendable resources.   |
| <b>Net Pension Obligation</b>             | Term used in connection with defined benefit pension plans. The cumulative difference between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition to SGAS 27, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.   |
| <b>Nonspendable Fund Balance</b>          | The portion of a Governmental Fund's net assets that are not available to be spent, either short term or long term, in either form (e.g. a prepaid asset) or through legal restrictions (i.e., principal of an endowment).  |
| <b>Nonoperating Revenues and Expenses</b> | A term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. Revenues and expenses not qualifying as operating items, which typically include interest revenue and expense, taxes, and grants that are not equivalent to contracts for services.   |
| <b>Object</b>                             | A term used in connection with the classification of expenditures. The article purchased or the service obtained, rather than the purpose for which the article or service was purchased or obtained (e.g., <i>personal services, contractual services, materials and supplies</i> ).   |
| <b>Operating Budget</b>                   | Plans of current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled.  |
| <b>Original Budget</b>                    | The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior year encumbrances. |
| <b>Ordinance</b>                          | A formal legislative enactment by the government body of a municipality. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is that the latter requires less legal formality and has a lower legal status.  |
| <b>Other Expenditures</b>                 | Includes operating charges primarily of a fixed charge nature that cannot properly be classified as personnel services, contractual services, commodities, capital outlay, or capital improvements.   |
| <b>Other Financing Source</b>             | An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the <i>other financing sources</i> category is limited to items so classified by GAAP.  |
| <b>Other Financing Use</b>                | A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the <i>other financing uses</i> category is limited to items so classified by GAAP.  |
| <b>Outcome Measures</b>                   | Term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments of results that occur (at least   |

partially) because of services provided. Results also include measures of public perceptions of outcomes.

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| <b>Output Measures</b>                                  | Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the <i>quantity of service provided</i> and measures of the <i>quantity of a service provided that meets a certain quality requirement</i> . |
| <b>Overlapping Government</b>                           | All local governments located wholly or in part within the geographic boundaries of the reporting government.  |
| <b>Payment in Lieu of Taxes (PILOTS)</b>                | A 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   |
| <b>Pension (and other Employee Benefit) Trust Funds</b> | A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The Village has a Police Pension Fund.                            |
| <b>Pension Plan</b>                                     | An arrangement for the provision of pension benefits in which all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the plan.   |
| <b>Performance Measurement</b>                          | Commonly used term for service efforts and accomplishments reporting.  |
| <b>Permanent Fund</b>                                   | A fiduciary fund type used to report resources that are legally restricted for to the extent that only earnings, but not principal, may be used for the purposes that support the government's programs for the benefit of the citizenry.  |
| <b>Perspective Differences</b>                          | Differences between the budgetary basis of accounting and GAAP that result when the structure of financial information used for GAAP financial reporting differs from the structure of financial information used for budgetary purposes   |
| <b>Per Capita</b>                                       | Refers to an amount per resident. The Village receives revenues on a per capita basis meaning that the amount received is based on the population of the Village.  |
| <b>Personnel Services</b>                               | Expenditures directly attributed to Village employees including salaries, overtime pay, health, dental and life insurance, and other employee benefits. The Village also includes worker's compensation and unemployment insurance a personnel services.   |
| <b>Police Pension Plan</b>                              | The plan established by Statute for the purpose of providing disability, retirement, and survivor benefits for sworn police officers. This is a defined benefit pension plan.  |
| <b>Postemployment Healthcare Benefits</b>               | The Village does not pay retiree health care except for sworn police officers receiving a duty disability pension as required by law. The Village does allow retirees to remain on the medical plan at their cost.   |
| <b>Primary Government</b>                               | Term used in connection with defining the financial reporting entity. A state government or general purpose local government. Also, a special-purpose government that has a separately elected governing body, is legally separate,  |

and is fiscally independent of other state of local governments.

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| <b>Private-Purpose Trust Funds</b> | A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.       |
| <b>Program</b>                     | Group activities, operations or organizational units directed to attaining specific purposes or objectives.  |
| <b>Proprietary Funds</b>           | Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.                        |
| <b>Realized Gains and Losses</b>   | The cumulative effect of appreciation and depreciation in the value of investments reported at fair value at the time those investments are sold.  |
| <b>Reappropriation</b>             | The inclusion of a balance from the prior year's budget as part of the budget of the subsequent fiscal year. Reappropriation is common for commitments outstanding at the end of a fiscal year that a government intends to honor in the subsequent fiscal year. |
| <b>Reporting Entity</b>            | The oversight unit and all of its component units. The Village's reporting entity consists of the Village funds and the Lake Bluff Public Library.   |
| <b>Restricted Fund Balance</b>     | The portion of a Governmental Fund's fund balance that is subject to external enforceable legal purpose restrictions as to what the fund balance can be spent on.  |
| <b>Reserved Fund Balance</b>       | The portion of a governmental fund's net assets that is not available for appropriation.   |
| <b>Special Revenue Fund</b>        | A governmental fund type used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditure for specified purposes.   |
| <b>Tap Fees</b>                    | Fees charged to join or to extend an existing utility system. Also referred to as <i>system development fees</i> or <i>connection fees</i> .   |
| <b>Tax Rate</b>                    | The amount of tax stated in terms of a unit of the tax base. The Village's property tax rate is shown as a percentage of every \$100 of equalized assessed valuation.  |
| <b>Unassigned Fund Balance</b>     | Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., assigned). Positive unassigned fund balance can only be reported in the General Fund.   |
| <b>Unrealized Gains and Losses</b> | Term used in connection with the valuation of investments. Cumulative change in the market value of investments prior to their disposition.  |