

Glossary of Terms to Implement Rhode Island Fire District Reporting Requirements

Pursuant to Rhode Island General Law Sections 45-10-4 and 44-5-69

Actuarial Valuation – a report prepared by an actuary to estimate the total cost of a defined benefit pension or OPEB plan based on a set of assumptions to determine how much an employer needs to contribute each period to ensure that there will be adequate resources to provide the promised benefits.

Agreed-Upon Procedures Engagement – a certified public accountant is engaged by a client to issue a report of findings based on specific procedures performed on a subject matter.

Allowance for Uncollectible accounts – portion of delinquent taxes receivable estimated not to be collectible.

Annual Expenditures – expenditures resulting from providing services to taxpayers – for fire districts it includes all amounts related to fire and other services including administrative costs. For purposes of determining whether the fire district is in Tier I, II, or III, all expenditures for all funds, other than capital outlay, are considered annual operating expenditures.

Annual Required Contribution (ARC) or Actuarially Determined Contribution (ADC) – represents the amount needed for the reporting period to fund pension benefits of a defined benefit pension plan for over time. It is determined by an actuary in accordance with actuarial standards and based on the plan funding assumptions and methods adopted by the government entity.

Audit – an audit provides financial statement users with an opinion by an auditor on whether the financial statements are presented fairly, in all material respects, financial position and results of operations in accordance with an applicable financial reporting framework. An audit is performed by an independent, licensed certified public accountant.

Cash Balance – includes demand deposit (checking) accounts and other bank deposit accounts with a financial institution.

Cash Basis – a basis of accounting that recognizes transactions or events when cash amounts are received or disbursed.

Capital Assets – includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

- **Buildings** – Permanent structures purchased or otherwise acquired by the fire district, including improvements.
- **Equipment** – Tangible property of a less permanent nature such as machinery and tools, etc.
- **Land** – Land purchased or otherwise acquired by the fire district, including costs to prepare the land for use.

Capital Lease – a financing mechanism where the leasee acquires title or ownership of the asset at the end of the lease term.

Capital Outlay – expenditures used for the acquisition or construction of facilities and other capital assets. Typically, a dollar threshold is adopted (e.g., amounts greater than \$10,000) to distinguish capital items from routine operating/repair expenses.

Debt Limit – the maximum aggregate outstanding principal indebtedness allowed by the Fire District charter or by-laws.

Debt Service or Debt Service Payment – interest and principal payments on long-term debt.

Defined Benefit Plan – pension plans 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 Plan – pension plans providing an individual account for each plan member and specifying how contributions to an active plan members' account are to be determined, rather than income or other benefits to be received after separation from employment.

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Fiscal Year or Fiscal Year Ended – The fiscal year end date of the fire district (i.e. if the year of the fire district runs 7/1/2013 to 6/30/2014, the fiscal year ended is 6/30/2014)

Fund – a self-balancing group of accounts used to segregate and maintain limitations on the use of resources.

Fund Balance or Net Position – the “surplus” or “equity” position of a fund – amounts available for future spending may be less than the total because of external restrictions, or commitments and assignments by the governing body.

Governmental Accounting Standards Board (GASB) – the Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. GASB is the official source of generally accepted accounting principles (GAAP) for state and local governments.

Generally Accepted Accounting Principles (GAAP) – Generally Accepted Accounting Principles (GAAP) represents nationally recognized standards that govern external financial reporting.

Generally Accepted Auditing Standards (GAAS) – the professional standards followed by a CPA in performing audits. Generally Accepted Auditing Standards (GAAS) govern the independent auditor’s overall responsibilities when conducting an audit of financial statements

Generally Accepted Government Auditing Standards (GAGAS) – Generally Accepted Government Auditing Standards (GAGAS), also known as the Yellow Book, provides a framework for conducting audits government entities, entities that receive government awards, and other audit organizations performing Yellow Book audits.

Investments – investments include income producing financial instruments other than a demand checking account, such as certificates of deposit, money market fund, mutual fund, bonds, or equity securities.

Material subsequent event – an event occurring after year-end of such significance as to make it probable that the judgment of a reasonable person relying on the information would be changed or influenced.

Net Property Tax Receivable – portion of the uncollected taxes levied minus the allowance for uncollectible accounts.

Operating Disbursements or Expenditures – expenditures resulting from providing services to taxpayers – for fire districts it includes all amounts related to fire and other services including administrative costs. For purposes of completing the financial reporting template, it includes expenditures in all funds, but excludes amounts considered capital outlay, debt service, or contract payments to another fire district, which are listed separately.

Other Post-Employment Benefits (OPEB) – postemployment benefits other than pension benefits (generally retiree healthcare).

Outstanding Debt – total debt of the fire district, at the fiscal year end, remaining to be repaid.

Pension benefits – retirement income and all benefits other than healthcare (disability, death benefits, life insurance) provided through a plan to plan members and beneficiaries after termination of employment or during retirement.

Purchased Fire Services – the amount paid for fire services to be provided by another district.

Tier I – fire districts must have an annual audit of the district’s financial statements. Tier I includes fire districts located in Coventry, fire districts with annual operating expenditures for all funds (exclusive of capital outlay) equal to or greater than \$1,500,000, fire districts with a charter, by-law, or other external requirement to have an audit, and fire districts which routinely have had an annual audit.

Tier II – fire districts must complete the annual self-reporting financial template and engage a certified public accountant (CPA) to perform Agreed-Upon Procedures. Tier II fire districts include fire districts with annual operating expenditures for

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all funds (exclusive of capital outlay) more than \$500,000 but less than \$1,500,000 annually and fire district's with annual operating expenditures for all fund (exclusive of capital outlay) less than \$500,00 annually but outstanding debt is greater than 3X annual operating expenditures.

Tier III – fire districts must complete the annual self-reporting financial template. Tier III fire districts have annual operating expenditures for all funds (exclusive of capital outlay) less than \$500,000, and have outstanding debt less than 3X times the annual operating expenditures.