

The background of the cover is a dark blue gradient. Overlaid on this are several semi-transparent financial charts. A prominent bar chart with green and blue bars is visible in the center. A red line graph with a peak and a dip is also visible, along with a white line graph showing fluctuations. The overall aesthetic is modern and professional, with a focus on data and finance.

GLOSSARY OF FINANCE TERMS FOR LOCAL ELECTED OFFICIALS

JANUARY 2021

NACo's MISSION

Strengthen America's counties.

NACo's VISION

Healthy, safe and vibrant counties across America.

ABOUT NACo

The National Association of Counties (NACo) strengthens America's counties, serving nearly 40,000 county elected officials and 3.6 million county employees. Founded in 1935, NACo unites county officials to:

- **Advocate county priorities** in federal policymaking
- **Promote exemplary county policies** and practices
- **Nurture leadership skills** and expand knowledge networks
- **Optimize county and taxpayer resources** and cost savings, and
- **Enrich the public's understanding** of county government.

ABOUT THIS GLOSSARY

Financing county government programs and services has always been a critical function for our nation's counties. However, it is becoming increasingly significant as both the federal government and states continue to devolve program responsibilities to county governments. NACo is committed to helping counties meet these challenges.

This publication, A Glossary of Public Finance Terms for County Officials, should become a resource for all county leaders. It is a comprehensive glossary of over 240 public finance terms every elected official should know. We would like this publication to be not only a glossary, but also a guide for local officials to discover and investigate new financing options.

We know that county officials will find this publication useful in making informed decisions about county government finances.

A

Abatements: A term referring to the refund of previously paid property taxes due to the over-valuation of property.

Accrual Basis: The basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefits received.

Accrued Interest: Interest accrued on a bond or other fixed income security since the last interest payment was made. At the time of a sale, the buyer of a bond pays the market price plus accrued interest to the seller. Exceptions are bonds that are in default (termed to be 'trading flat'). Accrued interest is calculated by multiplying the coupon rate by the number of days that have elapsed since the last payment.

Adjusted Gross Income (AGI): Total income from all taxable sources less certain expenses incurred in earning that income.

Adopted Budget: Refers to the budget amounts as originally approved by the county's legislative body.

Ad Valorem Tax: A tax based on the value of taxable property. Ad valorem is a Latin term meaning "according to value."

Advance Refunding Bonds: Bonds that are issued to refund an outstanding issue before its natural maturity date. Proceeds from the advance refunding bonds are invested in U.S. Treasury Bonds or other authorized securities, and are used to pay interest and principal on the bonds that were refunded until they are called or reach maturity.

Alternative Minimum Tax: The tax liability calculated by an alternative set of rules designed to force individuals with high levels of preference income to incur at least some tax liability.

Amended Budget: A budget that includes changes to the adopted budget that have been approved by the county's legislative body. Also referred to as a revised budget.

Amortization: The gradual reduction of bonded debt according to a specific schedule of payment times and amounts.

Appropriation: Authority to spend money within a specified dollar limit for an approved program or project during the fiscal year.

Arbitrage: With respect to the issuance of municipal bonds, arbitrage usually refers to the difference between the interest paid on the bonds issued and the interest earned by investing the bond proceeds in other securities. Arbitrage profits are permitted on bond proceeds for various temporary periods after issuance of municipal bonds. Internal Revenue Service regulations govern arbitrage of municipal bond proceeds.

Assessable Base: The value of all real and personal property in the county used as a basis for levying taxes. Tax-exempt property is excluded from the assessable base.

Assessed Value: The value a jurisdiction assigns to a property for tax purposes. Assessed value is less than market value.

Assessment Ratio: The ratio of a property's assessed value to its market value.

Assessment Bonds: Bonds secured by a direct fixed lien(s) on assessed properties to finance the acquisition and construction of local improvements.

Audit: An examination of evidence, including records, facilities, inventories, systems, etc., to discover or verify desired information. A written report of findings will normally result, and findings will generally be based on investigation of a sample of agency operations.

Average Life: The average length of time that an issue of bonds is expected to be outstanding. The total number of bond years divided by the total number of bonds.

B

Balance Sheet: A statement of the financial position of an entity that presents the value of its assets, liabilities, and equities on a specified date.

Balloon Maturity: A bond issue with substantially more late maturities than early maturities. Some or all of the late maturities are often callable to allow for early redemption.

Bank Qualification: Up to \$10,000,000 in public purpose bonds of a given issuer may be designated as “qualified tax exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code in any calendar year. Such bonds are more marketable, and thus price better in the market, because certain financial institutions that purchase the bonds are given more favorable tax treatment on money they are deemed to have borrowed to carry the bond.

Bid: A formal, binding document used to obtain pricing from vendors for a specific period of time. It contains complete specifications of the goods or services requested by the county. A bid also includes payment terms, delivery requirements, and other conditions that define the scope of the purchase. Bids are used to establish county contracts for products or services or for one-time purchases of high-dollar items (usually over \$1,000).

Block Grant: A type of grant given primarily to a general-purpose government unit in accordance with a statutory formula. Such grants can be used for a variety of activities within a broad functional area.

Bond: A bond is a written promise to repay borrowed money on a definite schedule and usually

at a fixed rate of interest for the life of the bond. State and local governments repay this debt with taxes, fees, or other sources of governmental revenue. Since most governmental bonds are tax-exempt, bondholders are generally willing to accept a correspondingly lower rate of return on their investment than they would expect on a comparable commercial bond. Bond financing, therefore, can often provide state and local governments with low-interest capital. Some state and local governments are required by law to seek voter approval, for certain types of bond issues.

Bond Anticipation Notes: Interim short-term tax-exempt obligations used to provide funds for construction or completion of an enterprise. The proceeds of a future bond issue are pledged to pay the note at maturity. Upon completion and final costing of the project, a tax-exempt bond issue provides permanent financing, and the bond anticipation notes are retired.

Bond Insurance: Insurance that guarantees the timely payment of principal and interest to bondholders.

Bond Rating: Bond ratings are assessments made by investor advisory companies, also known as rating agencies, of credit quality or, conversely, the risk that the borrowing government will not make scheduled payments of principal and interest. Rating agencies base their ratings on a number of economic, debt, financial, and governmental factors. These ratings significantly influence the interest rate that a borrowing government must pay on its bond issues.

Budget: A financial plan, including proposed expenditures and estimated revenues, for a period in the future, usually for one year.

C

Callable Bonds: Bonds that are redeemable by the issuer prior to the specified maturity date at the specified price at or above par.

Capital Budget: The annual request for capital project appropriations. Project appropriations are normally only for that amount necessary to enable the implementation of the first year of the capital program expenditure plan. However, if contracted work is scheduled that will extend beyond the upcoming fiscal year, the entire contract appropriation is required, even if the work and expenditures will be spread over two or more fiscal years.

Capital Gain: An increase in the value of an asset.

Capitalization: The process by which a stream of tax liabilities becomes incorporated into the price of an asset.

Capital Improvements Program (CIP): The comprehensive presentation of capital project expenditure estimates; funding requirements; capital budget requests; and program data for the construction of all public buildings, roads, and other facilities planned by county agencies usually over a five or six-year period. The CIP constitutes both a fiscal plan for proposed project expenditures and funding, and includes the annual capital budget for appropriations to fund project activity during the first fiscal year of the plan.

Capital Lease: A long-term rental agreement that transfers substantial rights and obligations for the use of an asset to the lessee and, generally, ownership at the end of the lease. Similar to an installment purchase, a Capital Lease may also represent the purchase of a fixed asset and the incidence of a long-term liability.

Capital Project: Governmental effort involving expenditures and funding for the creation, expansion, renovation, or replacement of permanent facilities and other public assets having relatively long life. Expenditures within capital projects may include costs for the planning, design, and construction management; land; site improvements; utilities; construction; and the initial furnishings and equipment required to make a facility operational.

Capitalized Interest: A portion of bond proceeds that are set aside to pay interest on the bonds until the projects funded by those bonds are built, operating, and capable of generating revenues for making debt service payments.

Carryover: The process in which, at the end of one fiscal year, appropriation authority for previously-approved encumbrances and unexpended grant and capital funds are carried forward to the next fiscal year.

Cash Management: An effort to manage cash flows in such a way that interest and penalties paid are minimized and interest earned is maximized.

Categorical Grants: A type of grant that may only be used for a specific program that is usually limited to a narrowly defined activity. Categorical grants consist of formula, project, and formula-project grants.

Certificate of Participation (COP): A form of lease obligation in which the county enters into an agreement to pay a fixed amount annually to a third party, usually a nonprofit agency or a private leasing company. Otherwise, they do what municipal bonds do: They raise money to acquire equipment or construct a facility. According to municipal finance experts, almost anything can be engineered for lease. COPs are similar to bonds, but are not legally classified as such, meaning that state and local governments can issue them without voter approval and without affecting their overall bonding capacity.

Circuit Breaker: A type of residential property tax relief in which benefits depend on income and/or wealth and property tax payments. A circuit breaker usually takes one of two forms. Under the threshold approach, an “acceptable” tax burden is defined as some fixed percentage of household income (different percentages may be set for different income levels), and any tax above this portion of income is “excessive” and qualifies for relief. The portion of income that is deemed an acceptable tax burden is the threshold level. Under the sliding scale approach, no threshold is defined.

Rather, a fixed percentage of the property tax is rebated for each eligible taxpayer within an income class. The rebate percentage declines as income increases.

Collective Bargaining Agreement: A legal contract between the county government or an agency as employer and a certified representative of a recognized bargaining unit for specific terms and conditions of employment; e.g., hours, working conditions, salaries, or employee benefits.

Community Development Block Grant (CDBG): Annual funding from the Federal Government (Department of Housing and Urban Development) for use in capital projects or operating programs designed to stimulate neighborhood or business area revitalization, housing rehabilitation, and activities on behalf of older and lower-income areas of the count.

Compensation: Payment made to employees in return for services performed. Total compensation includes salaries, wages, employee benefits (Social Security, employer-paid insurance premiums, disability coverage, and retirement contributions), and other forms of remuneration when these have a stated value.

Commercial Paper: A form of short-term tax-exempt debt issued by state and local governments that matures within a short period (less than 365 days) from the date of Issue.

Competitive Underwriting: A sale of municipal securities by an issuer to the underwriter offering the best bid (lowest net or true interest cost) in open competitive bidding. Contrasts with negotiated underwriting.

Constant Yield Tax Rate: A rate which, when applied to the coming year's assessable base, exclusive of the estimated assessed value of property appearing on the tax rolls for the first time (new construction), will produce tax revenue equal to that produced in the current tax year.

Construction Fund: A special fund, often held by

the trustee or other fiduciary, into which the net proceeds of an issue are deposited and are to be used to pay project costs. The construction fund is often pledged for the payment of the securities, pending its use for the purpose of paying the project costs.

Continuing Disclosure: The requirement that certain issuers of municipal obligations file annual reports concerning financial and operating data presented in an official statement.

Cost-Benefit Analysis: An analytical technique that compares the costs and benefits of proposed programs or policy actions.

Cost Center: Expenditure categories within a program area that relate to specific organizational goals or objectives. Each cost center may consist of an entire agency or a part of an agency.

Cost of Issuance: Expenses paid by the issuer directly related to the authorization, sale, and issuance of bonds. These costs may include legal fees, trustee's fees, printing costs, bond discounts, cost of credit ratings, fees and charges for execution, as well as filing and recording fees.

Coupon: Detachable portions of a bond presented by its holder to bond issuer's paying agent to document interest due. The coupon rate is the rate of interest on face value that the coupons reflect.

Current Revenue: A funding source for the Capital Budget that is provided for annually within the Operating Budget from general, special, or enterprise revenues. Current revenues are used for funding project appropriations not eligible for debt financing or to substitute for debt-eligible costs.

D

Dated Date: The date of a bond issue from which the bondholder is entitled to receive interest even though the bonds may actually be delivered at some other date.

Debt: The total amount owed at a given point in time; the sum of all past deficits.

Debt Limit: The statutory or constitutional maximum debt that an issuer can legally incur.

Debt Service: The annual payment of principal, interest, and issue costs of bonded indebtedness. Debt service is presented both in terms of specific bond allocations by category, fund and by sources of revenues used.

Debt Service Fund: A fund used to record fiscal activities related to the payment of principal, interest, and overhead costs of general obligation debt, capital leases, and equipment purchase agreements.

Default: Failure by the issuer to pay the principal or interest due on a bond, or failure to fulfill other agreed upon legal and contractual obligations.

Deficit: The amount by which expenditures exceed revenues during an accounting period.

Depreciation: The decline of the useful life of a fixed asset over a determined period of time attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. Also, the portion of the cost of a fixed asset charged as an expense during a particular period.

Derivatives: A complex investment that is largely unregulated, especially when compared with stocks and bonds. They are securities whose value is derived from some other variable, such as interest rates or foreign currencies, and can be used to reduce risk or increase returns. Derivatives are rarely used and significantly restricted in most states.

Development District: A special taxing district created to finance the costs of infrastructure improvements necessary for the development or redevelopment of land of high priority to the county. These districts are often designated for areas that the county's long-range master plan recommends significant development.

Development Impact Fee: A payment of money imposed upon new property developments as a condition of approval from the county. Development impact fees pay for a proportionate share of the cost of improvements needed to serve new growth and development.

Disbursement: Expenditure or a transfer of funds to another accounting entity within the county's financial system. Total disbursements equal the sum of expenditures and transfers.

Double-barreled Bond: A bond secured by the pledge of more than one source of repayment, often project revenue and taxing power.

E

Earned Income Tax Credit: A tax credit for low-income individuals.

Electronic Commerce: It is the use of computer networks to facilitate transactions involving the production, distribution, and sale and delivery of goods and services in the marketplace. A paperless exchange of business information using the Internet, E-mail, electronic bulletin boards, and similar technologies.

Employee Benefits: For budgeting purposes, employee (fringe) benefits are payments by the employer for Social Security, retirement, and group insurance.

Encumbrance: An accounting commitment that reserves appropriated funds for a future expenditure. The total of all expenditures and encumbrances for a department or agency in a fiscal year, or for a capital project, may not exceed its total appropriation. The commitments relate to unperformed contracts for goods or services.

Enterprise Fund: A fund established to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are wholly or partially supported by

user charges/ fees. Examples include liquor control and parking facilities.

Excise Tax: A tax levied on the purchase of a particular commodity.

Expendable Trust Funds: Accounting entities for assets the county does not own but must use for certain purposes, such as escrow deposits held by the county and retiree group insurance reserves.

Expenditure: A decrease in the net financial resources of the county generally due to the purchase of goods and services, the payment of salaries and benefits, and the payment of debt service.

Expenses: Charges incurred, whether paid or unpaid, by the county for operation, maintenance, interest, and other charges that are presumed to benefit the current fiscal period.

F

Fee: A charge for service to the user or beneficiary of the service.

Fiduciary Funds: Assets held by the county in a trustee capacity or as an agent for individual private organizations, other governmental units, and/or other funds. These can include expendable trust funds, agency funds, pension trust funds, and nonexpendable trust funds.

Fines: Charges levied for violations of laws, regulations, or codes.

Fiscal Policy: The County's policies with respect to revenues, expenditures, and debt management as these relate to county services, programs, and capital investments. A fiscal policy provides a set of principles for the planning and programming of budgets, uses of revenues, and financial management.

Fiscal Plan: Estimates of revenues, based on recommended tax policy and moderate economic

assumptions, and projections of currently known or recommended commitments for future uses of resources.

Fiscal Projections: Estimates of revenues and projections of possible expenditures for the functions of government, including analysis of the impact of tax and expenditure patterns on public programs and the economy of the county.

Fiscal Year (FY): A twelve-month period designated as the operating year for accounting and budgeting purposes in a county. A fiscal year can start on different dates depending upon the county, including January 1st and July 1st.

Fixed Assets: Assets of a long-term character that are intended to continue to be held or used. Examples of fixed assets include items such as land, buildings, machinery, furniture, and other equipment.

Flat Tax: A tax for which the marginal tax rate is constant throughout the entire range of incomes.

Formula Grants: A type of grant that allocates federal funds to states or their subdivisions in accordance with a distribution formula prescribed by law or administrative regulation.

Franchise Fee: A fee levied on a corporation in return for authorized conduct of business on or use of public property, or as otherwise provided for by county law.

Full-Time Equivalent (FTE): A standardized unit for measurement of government personnel effort and costs. A position authorized for 40 hours per week is reflected in the budget as one authorized position with a full-time equivalency of one (1/1.0 FTE).

Fund: An accounting device established to control the receipt and disbursement of revenues for the purpose of implementing specific activities or achieving certain objectives in accordance with special regulations, restrictions, or limitations, and constituting an independent fiscal and accounting entity.

Fund Balance: Undesignated reserves in a fund, the amount by which resources exceed the obligations of the fund. Fund balance may be measured as a percentage of revenues or expenditures.

G

General Fund: The principal operating fund for a county government. The General Fund is used to account for all financial resources except those required by law, county policy, and generally accepted accounting principles that are to be accounted for in another fund.

General Obligation (G.O.) Bond: A bond secured by the pledge of the county's full faith, credit, and taxing power. Many state and/or county laws require voter approval of G.O. Bonds. These bonds are regarded as safer than bonds backed by a single revenue source, and generally command lower interest rates and lower reserve fund requirements.

General Revenue: Money received that may be used to fund general county expenditures such as education, public safety, public welfare, debt service, etc. Funds received that are restricted as to use are not general revenues and are accounted for in other funds.

General Sales Tax: A tax levied at the same rate on the purchase of all commodities.

General Wage Adjustment (GWA): An increase in salaries other than seniority-based merit increases (increments). GWA is also referred to as a Cost-of-Living Adjustment (COLA).

Grant: A payment from one level of government to another or from a private organization to a government. Grants are made for specified purposes and must be spent only for that purpose.

Gross Budget: The total cost of a department's operation (not appropriation), including those

expenditures that are charged to (and paid by) other funds, departments, agencies, or CIP projects.

Gross Debt: The sum total of an issuer's debt obligations.

Gross Estate: All property owned by the decedent at the time of death.

Gross Spread: The dollar difference between the amount the issuer receives for its securities and the amount that the investors pay for those securities; the gross revenue accruing to the underwriters of a security prior to any costs or expenses.

H

Homestead: A homestead can be a separate structure, condominium, or a mobile home located on owned or leased land as long as the individual living in the home owns it.

Homestead Exemption: Homestead exemptions remove part of a home's value from taxation in order to lower property taxes. For example, if your home is appraised at \$50,000, and you qualify for a \$15,000 exemption, you will pay taxes on the home as if it was worth only \$35,000.

Horizontal Equity: In terms of taxation, people in equal positions should be treated equally.

I

Impact Fees: An impact fee is a one-time charge that requires new development to pay a proportionate share of the revenue needed for construction or expansion of capital facilities to serve the new development. Impact Fees can be collected for many things, including roads, schools, and water system improvements.

Incremental Funding: The provision of budgetary

resources for a program or project based on obligations estimated to be incurred within a fiscal year when such budgetary resources will cover only a portion of the obligations to be incurred in completing the program or project as programmed.

Individual Retirement Account (IRA): For qualified individuals, a savings account in which the contributions are tax deductible and the interest accrues tax free, provided the funds are held until retirement. On withdrawal, both contributions and accrued interest are subject to tax.

Inheritance Tax: Tax levied on an individual receiving an inheritance.

Indirect Costs: That component of the total cost for a service that is provided by and budgeted within another agency in the county (e.g., legal support, personnel).

Interest Rate: The percentage rate at which a bond bears interest.

Interfund Transfer: A transfer of resources from one fund to another as required by law or appropriation. The funds are considered revenues of the source fund, not the receiving fund.

Intergovernmental Revenue: Funds received from Federal, state, and other local government sources in the form of grants, shared taxes, reimbursements, and payments in lieu of taxes.

Internal Service Funds: Separate financial accounts used to record transactions (primarily goods and services) provided by one department to other departments of the county government on a cost-reimbursable basis. Examples are: motor pool, central duplicating, risk management, and printing and mail.

Issuer: A government, political subdivision, agency, or authority that borrows money through the sale of bonds or notes.

L

Lapse: The reduction of gross personnel costs by an amount believed unnecessary because of turnover, vacancies, and normal delays in filling positions. The amount of lapse will differ among departments, and from year to year.

Lease-Purchase Agreement: A contractual agreement which is termed “lease,” but is in substance a purchase contract with payments made over time.

Lease-Purchase Financing: A long-term lease sold publicly to finance capital equipment or real property acquisitions. A Certificate of Participation is one example.

Lease Revenue Bond: A bond secured by a lease agreement and rental payments from one public agency (lessee) to another (lessor). Lease payments are typically made from revenue sources including general fund, enterprise fund or user fees. The lessor and issuer of the bonds may be a city, county, non-profit corporation, redevelopment agency, joint powers authority, parking authority, etc. The title reverts to lessee after bonds are retired.

Level of Service: The existing or current services, programs, and facilities provided by a government to its citizens. The level of service may increase, decrease, or remain the same depending upon needs, alternatives, and available resources.

Licenses and Permits: Documents issued by the county in order to regulate various kinds of businesses and other activities. Inspection may accompany the issuance of a license or permit, as in the case of food vending licenses or building permits. In most instances, a fee is charged in conjunction with the issuance of a license or permit, generally to cover all or part of the related cost.

Limited-liability Bond: A bond that does not pledge the full-faith credit of the jurisdiction but does usually dedicate a specific revenue source for repayment.

Line Item: A specific expenditure category within an agency budget, e.g., rent, travel, motor pool services, postage, or printing.

M

Master Lease: A securitized package of leases designed to reduce interest rates compared to standard commercial leases.

Means-Tested: A spending program whose benefits flow only to those whose financial resources fall below a certain level.

Millage: A rate of taxation expressed in mills per dollar (0.01 %), normally in property taxation.

Minibonds: County bonds, usually general obligation bonds, issued in small denominations so that they are affordable to a wider segment of the population.

Mission: The desirable end result of any activity. Missions are generally broad and long range in nature compared to goals, which are more specific and immediate. An example of a mission is: “to provide safe, reliable, and cost-efficient public transportation to the residents of the county.”

Modified Accrual Basis: The basis of accounting under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when received in cash.

Mortgage Revenue Bond: A tax-exempt security issued by a state or local government or authority to purchase loans such as mortgages or other owner-financings. The bonds are secured by the payments on the mortgagees) acquired with the bond proceeds.

Municipal Bond: A bond issued by a state or local government.

N

Negotiated Underwriting: A sale of municipal securities in which the terms of the sale are determined through negotiation between the issuer and the purchaser without competitive bidding.

Net Budget: The legal appropriation requirement to finance a fund, department/account, agency, or CIP project. The net budget includes the funds required for charges from other funds, departments, agencies, or CIP projects for services rendered, but does not include charges made to other departments for services rendered.

Net Interest Cost: Formula used to compute the overall interest expense of a bond issue. The formula for net interest cost (NIC) is based on the average coupon rate weighted to years of maturity and is adjusted for any associated discounts or premiums.

Net Revenue: Gross revenues less operating and maintenance expenses.

Net Wage: The wage after taxes.

Neutral Taxation: Taxing each good at the same rate.

Nexus: Nexus is established when a company has made sufficient contact or established a significant presence within a particular state which constitutes “doing business” in that state. Once this definition is met, the state has legal power to tax the company as well as require the company to collect and remit sales and use taxes. These definitions vary considerably from state-to-state.

Nominal Interest Rate: The interest rate unadjusted for inflation.

Non-Callable Bond: A bond that cannot be called for redemption before its specified maturity date.

Non-Departmental Account: A budget category used to account for resources used for county-funded activities that do not fall within the

functional assignment of any department, or for expenditures related to more than one department.

Non-Expendable Trust Funds: Accounting entities for the principal portion of assets held by a government, such as endowments or matching funds, wherein the principal must be preserved intact and expenditures, if any, made from interest earned.

Non-Tax Revenue: Includes user charges and fees, lotteries, special assessments, fines, forfeitures, interest earnings, and other miscellaneous general revenues.

Non-Tax Supported Fund: A revenue fund supported by revenues other than taxes.

Notes: Short-term promises to pay specified amounts of money secured by future revenues from specific sources such as bond proceeds, taxes, and federal/state aid payments. They are typically named by the types of revenues expected (bond anticipation notes, tax anticipation notes, revenue anticipation notes, etc.)

O

Operating Budget: A financial plan that presents proposed expenditures for a given period (typically a fiscal year) and estimates of revenue to finance them. Usually excludes expenditures for capital assets.

Operating Expense: Those costs, other than expenditures for personnel costs and capital outlay, which are necessary to support the operation of the organization, such as charges for contractual services, telephones, printing, motor pool, and office supplies.

Own-Source General Revenues: Includes revenue from property, general sales, excise, and individual and corporate income taxes, current charges and miscellaneous revenues, including interest. It does not include intergovernmental revenue.

P

Partial Capitalization: The process of either expensing or transferring to the fixed asset account group prior fiscal year expenditures for ongoing capital projects only.

Pass-Through Financing: Tax-exempt issue to finance facilities for the use of a private for-profit or non-profit entity, which is generally responsible for the payment of the debt service. This is the method of financing used by economic development authorities.

Pay-as-you-go (PAYGO): A financial policy of a governmental unit that finances capital outlays from current revenues rather than from borrowing.

Payment-in-Lieu-of-Taxes (PILT): Funds that are paid to offset costs incurred by counties for services provided to tax-exempt properties. These types of properties vary, but they can include property owned by state, federal, and other local governments. A new trend is for counties to negotiate payments with not-for-profit organizations.

Pension Trust Funds: Accounting entities for assets held by the county from which retirement annuities and other benefits are paid to former employees.

Per Capita Debt: The amount of municipal debt divided by the population within the issuer's political jurisdiction. It is used as an indication of the issuer's general obligation debt burden.

Performance Measurement: The use of program indicators, including output and outcome measures, and other program data to assess the efficiency and effectiveness of program activity.

Personal Consumption Tax: A system under which each household's tax base is its consumption expenditures.

Personal Property Tax: A tax on property that is not real estate, such as cars and boats.

Personnel Complement: The full and part-time positions, workyears, and costs related to employees of the departments and agencies of the county.

Personnel Costs: Expenditures made for salaries, wages, and benefits payable to county employees.

Poverty Line: A fixed level of real income considered enough to provide a minimally adequate standard of living.

Premium: The amount by which the price exceeds the principal amount of a bond.

Present Value: The value today of a certain amount of money to be paid or received in the future.

Prime Interest Rate: The rate of interest charged by banks to their preferred customers.

Principal: The face value of a municipal bond or note, exclusive of accrued interest.

Privatization: The process of changing ownership or control of an enterprise from the public to the private sector.

Productivity Improvement: Increased quantity or improved quality of goods or services using the same or fewer resources. Productivity improvement may be achieved through cost efficiencies, alternative means of delivering services, streamlining organizational structures, making use of automation and other time or labor-saving innovations, and eliminating unnecessary procedures or requirements.

Program: A primary service, function, or set of activities that address a specific responsibility or goal within an agency's mission. A program encompasses all associated activities directed toward the attainment of established objectives.

Program Budget: A statement and plan that identifies and classifies total expenditures and revenues by activity or program. Budgets are aggregated into program areas. This is in contrast to a line-item budget, which identifies expenditures only by objects for which money is spent, e.g., personnel services or capital equipment.

Program Change: A change in expenditures, revenues, or service delivery of a program. A Program Change can involve a new initiative, service expansion or reduction, a change in workyears, or a change in policy.

Program Description: A statement of the purpose for a program, explaining how it contributes to a department's mission, and what it does. A program description identifies activities that will accomplish specific functions or meet service responsibilities.

Program Indicator: A particular value or characteristic used to measure workload, output, efficiency or effectiveness outcomes; specific information that permits an assessment of how well services are being delivered. Program indicators, such as the percentage of solid waste recycled, can be used to measure the efficiency and effectiveness of program activity.

Program Performance Budget: A method of budgeting whereby the services provided to county residents are broken down in identifiable service programs or performance units. A unit can be a department, a division, or a workgroup. Each program has an identifiable service or output and objectives to effectively provide the service.

Performance indicators measure the effectiveness and efficiency of providing the service by the program.

Progressive Tax: A tax with effective rates that is higher for families with higher affluence than they are for families with lower affluence.

Proportional: A tax system under which an individual's average tax rate is the same at each level of income.

Public Facilities: Facilities that serve any valid public purpose.

Public Finance: The field of economics that analyzes government taxation and spending policies.

Purchase Order: A document that authorizes the delivery of specified merchandise or the rendering of certain services and the making of a charge for them.

R

Rate Schedule: A list of the tax liabilities associated with each level of taxable income.

Real Interest Rate: The nominal interest rate corrected for changes in the level of prices by subtracting the expected inflation rate.

Realized Capital Gain: A capital gain resulting from the sale of an asset.

Reallocation of Appropriation: The transfer of unencumbered appropriations (expenditure authority) within the same appropriation category and within the same department and fund.

Real Property: Real estate, including land and improvements (buildings, fences, pavements, etc.), classified for purposes of assessment.

Referendum: The principle or practice of submitting to popular vote a measure passed on or proposed by a legislative body or by popular initiative.

Receipts: Cash received by the county.

Refunding: The sale of new bonds in order to retire outstanding bonds. A refunding may be used to achieve lower interest rates or to replace a restrictive bond resolution with a less restrictive one.

Registered Bond: A bond whose owner is registered with the issuer or its agent. Transfer of ownership can be accomplished only when the registered owner properly endorses the securities.

Regressive Tax: A tax with effective rates that is lower for families with higher affluence than they are for families with lower affluence.

Related Revenue: Revenues earned by the operation of a program. Related revenues are generally not dedicated to the program itself, but flow to a revenue fund. Revenues are related to a program in the sense that revenue will vary depending on the scope and level of services provided through program expenditures.

Reserve: An account used either to set aside budgeted resources that are not required for expenditure in the current budget year or to earmark resources for a specific future purpose.

Resources: Units of input such as workforce, funds, material, equipment, facilities, or other elements supplied to produce and deliver services required to meet program objectives. Examples are: librarians (workyears), numbers of libraries (facilities), book collections (material). From a fiscal point of view, resources include revenues, net transfers, and available fund balance.

Request for Information (RFI): A non-binding document that is issued when a county is considering the acquisition of a particular service or product. The purpose of a RFI is to solicit information and/or to determine the level of vendor interest in providing a service or product.

Request for Proposal (RFP): A solicitation inviting proposals from vendors who believe they can provide the products and/or services your county needs. It is also a formal and binding document. A RFP describes the products and/or services needed, but can also ask vendors to propose a solution to a specific county need.

Request for Quotation (RFQ): This kind of quotation is typically used for low-dollar purchases. A verbal price quotation, telephone quote, or faxed quote are three examples of a RFQ.

Revenue: All funds that the county receives, including tax payments, fees for specific services,

receipts from other governments, fines, forfeitures, shared revenues, and interest income.

Revenue Bonds: A type of bond that is issued to finance a revenue-producing enterprise, with principal and interest payable exclusively from the earnings and other revenues of the enterprise. Revenue Bonds account for a majority of municipal bonds used to finance infrastructure, including water, sewer, and solid waste systems. They are generally tax-exempt and do not have the same types of requirements as G.O. Bonds.

Revenue Sharing: A grant from the federal government to a state or locality that places no restrictions on the use of the funds.

Risk Management: A process used to identify and measure the risks of accidental loss, to develop and implement techniques for handling risk, and to monitor results. Techniques used may include self-insurance, commercial insurance, and loss control activities.

Roll Over: Issuance of new notes to retire outstanding notes.

S

Salaries and Wages: An expenditure category for monetary compensation to employees in the form of annual or hourly rates of pay for hours worked.

Sales and Gross Receipts Taxes: Taxes based on volume or value of transfers of goods or services, on gross receipts therefrom, or on gross income and related taxes based on use, storage, production, importation, or consumption of goods. Sales taxes are imposed on sales transactions that occur within the county's boundaries. Sales taxes are collected from the purchaser by the seller at the time of sale, and then remitted by the seller to the government(s) imposing them.

Salary Schedule: A listing of minimum and maximum salaries for each grade level in a

classification plan for merit system positions.

Security: A piece of paper that proves ownership of stocks, bonds and other investments.

Serial Bonds: Bonds that have scheduled annual or semi-annual maturities over a period of years.

Short-term Debt: Interest-bearing debt payable within one year from date of issue, such as bond-anticipation notes, bank loans, and tax-anticipation notes and warrants. Includes obligations that have no fixed maturity date if payable from a tax levied for collection in the year of their issuance.

Sinking Fund: A reserve fund in which money is set aside at regular intervals so that it is sufficient to retire bonds at or prior to maturity.

Special Assessment Bonds: Bonds issued by a county or special authority that are secured by some type of special taxes, charges, or fees. These bonds are sold to finance specific public infrastructure improvements that directly benefit the property owners in limited, identifiable areas. The assessments are based on property measurement systems related to the benefits such as street front-footage or square footage owned. The system for collecting assessments is usually tied to the collection of ad valorem property taxes. Most Special Assessment Bonds have maturities of 15 years or less.

Special Revenue Funds: Financial accounts used to record the receipt and use of resources which, by law, generally accepted accounting principles, or county policy, must be kept distinct from the general revenues of the county. Revenues for special funds are generally either from a special tax on a specific geographical area or a user charge or fee from persons benefiting from special services or programs.

Special Taxing District: A geographic area that is established by legislation within which a special tax is levied to provide for specific services to the area.

State and Local Tax Deduction: Allows you to deduct up to \$10,000 of your state and local property taxes,

as well as your state income or sales tax.

Statutory Incidence: Indicates who is legally responsible for paying a tax.

Supplemental Appropriation: An appropriation of funds above amounts originally appropriated to authorize expenditures not anticipated in the adopted budget. A supplemental appropriation is required to enable expenditure of reserves or additional revenues received by the county through grants or other sources.

T

Tax: A compulsory payment to a government for the purpose of financing services performed for the common good.

Tax Amnesty: Allowing delinquent taxes to be paid without prosecution.

Tax Anticipation Notes (TANs): Short-term notes that are issued in anticipation of the collection of taxes, usually retired only from the tax proceeds of the tax levy whose collection they anticipate. Also known as Tax Anticipation Warrants.

Tax Avoidance: Altering behavior in such a way to reduce your legal tax liability.

Tax Base: The total amount of property and resources subject to taxation.

Tax Credit: A tax credit includes any special provisions of law that result in a dollar-for-dollar reduction in tax liabilities that would otherwise be due. A subtraction from tax liability (as opposed to a subtraction from taxable income).

Tax deduction: Any expense that can be used to lower your taxable income.

Tax Evasion: Not paying taxes legally due.

Tax Expenditure: A loss of tax revenue because

some item is excluded from the tax base.

Tax Increment Financing (TIF): For a traditional TIP, an area within the county is designated, property taxes are frozen at a base value, and then a bond is issued to pay for the redevelopment of the area. Increased property tax revenues associated with an increase in assessed valuation of the property over the frozen base repay the bond. TIFs are increasingly used for redeveloping blighted areas. State laws may limit their use.

Tax Indexing: Automatically adjusting the tax schedule to compensate for inflation so that an individual's real tax burden is independent of inflation.

Tax Levy: The amount of tax dollars billed to taxpayers based on the imposition of the property tax rate on the assessed valuation.

Tax Life: The number of years an asset can be depreciated.

Taxable Estate: The gross estate less deductions for costs of settling the estate, outstanding debts of the estate, and charitable contributions.

Taxable Income: The amount of income subject to tax.

Tax-exempt Bonds: Municipal bonds where the interest is exempt from federal income, state income, or state and local personal property taxes.

Tax-rate Limit: The maximum legal rate at which a government may levy a tax.

Term Bond: A bond that has a single maturity (the entire principal matures on one date) and is subject to a sinking fund.

Tipping Fee: A fee charged for each ton of solid waste disposed of, or "tipped," at a solid waste transfer station.

Transient Occupancy Tax: Monies collected by a hotel/motel tax.

True Interest Cost (TIC): The internal rate of return or effective interest cost of the bonds based on the purchase price of the bonds and the debt service payments on the bonds.

Trustee: A bank or agent designated to serve as the custodian of funds and the official representative of bondholders, and who ensures that the bond covenants are not neglected.

Trust Indenture: The document that contains the rights and liabilities of the issuer and the trustee.

U

Unappropriated Reserves: Fund balances available at the close of the preceding year that are not included as resources in the annual budget. Unappropriated fund balances are usually designated for certain programs or projects by the county's legislative body.

Underwriter: A dealer firm that purchases municipal bonds from the issuer and then resells them to the public. The underwriter assumes the risk of ownership until the bonds are sold.

Unincorporated County: Those portions of the county that are not part of the legal entity such as a city or town.

Unit Tax: A tax levied as a fixed amount per unit of commodity purchased.

Use Tax: A sales tax that residents of a given state must pay to that state even if the commodity was purchased in another state. The purpose of use taxes is to remove the incentive to purchase goods out-of-state where they might be taxed at a lower rate or not at all. If use taxes were not imposed and some consumers did have opportunities to buy out-of-state on a no-tax or lower-tax basis, state and local governments imposing sales taxes would lose revenues.

User Fee: The payment made by users of a

government-provided good or service.

V

Value-Added Tax (VAT): A percentage tax on value added at each stage of production.

Variable Rate Bond: A bond whose yield is not fixed but is adjusted periodically according to a prescribed formula. Variable rate bonds can adjust the interest rate as often as daily, or as infrequently as annually.

Vertical Equity: Distributing tax burdens fairly across people with different abilities to pay.

Vouchers: Grants earmarked for particular commodities, such as medical care or education, given to individuals. A voucher can also be a written document that evidences expenditures and usually indicates the accounts in which they are to be paid.

W

Workload Indicator: A unit of work to be performed (e.g., number of permit applications received, the number of households receiving refuse collection service, or the number of burglaries to be investigated).

Y

Yield: The net annual percentage of income an investor will receive from a municipal bond.

Yield-to-Call: The annual percentage return on an investment calculated to the earliest call date.

Yield-to-Maturity: The annual percentage rate of return an investor will receive taking into account the interest rate, length of time to maturity, and the price paid for the bond.

Z

Zero-based Budgeting: A process emphasizing management's responsibility to plan, budget, and evaluate. Zero-based budgeting provides for analysis of alternative methods of operation and various levels of effort. It places new programs on an equal footing with existing programs by requiring that program priorities be ranked, thereby providing a systematic basis for allocating resources.

Zero Coupon Bonds: Non-interest bearing bonds sold substantially below par value. The difference between the discount price and par represents the compound annual interest rate for the investor.

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