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

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.

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.

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.

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 that 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 of 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 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.

**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 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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.
**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).

**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.

**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.

**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.

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

**Payments-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.

**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.

**Tax-Levy:**
The amount of tax dollars billed to taxpayers based on the imposition of the property tax rate on the assessed valuation.
About the National Association of Counties

The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides essential services to the nation’s 3,068 counties. NACo advances issues with a unified voice before the federal government, improves the public’s understanding of county government, assists counties in finding and sharing innovative solutions through education and research, and provides value-added services to save counties and taxpayers money. For more information about NACo, visit www.naco.org.