

GLOSSARY OF TERMS

ACCRUAL ACCOUNTING: A basis of accounting in which revenues and expenses are recorded at the time they are incurred, instead of when cash is actually received or disbursed (see funds). For example, in accrual accounting, a revenue earned between June 1 and June 30, but for which payment was not received until July 12, is recorded as earned on June 30 rather than on July 12.

ACCOUNTS: Accounts are used to enter the formally adopted annual operating budget into the general ledger, as well as to organize expenditures and revenues by fund, program, department, activities, etc.

ACREAGE FEES: Fees charged by the gross acre against all property to be developed. Fees start at \$750 per acre for water and sewer for residential development, and increase as density increases. These fees are restricted to Utility Fund projects. These fees were replaced with the Water and Sewer Development Fees in FY 2000.

ACTIVITY: A specific service or unit of work performed.

AD VALOREM TAX (PROPERTY TAX): A tax levied on the assessed value of real and personal property located within the Town. The FY 2003 rate is \$0.42 per \$100 of assessed valuation.

APPROPRIATION (BUDGETING): A legal authorization granted by the Town Council to make budgeted expenditures and to incur obligations for purposes specified in the budget ordinances.

ASSESSED VALUATION: A value established for real property for use as a basis for levying property taxes.

BALANCED BUDGET: Occurs when planned expenditures equal anticipated revenues. In North Carolina, it is a requirement that the budget submitted to the Town Council be balanced.

BASE BUDGET ALLOWANCE: Ongoing expense for personnel and replacement of existing equipment to maintain service levels previously authorized by the City Council. A *base budget reduction* reflects discontinuation of a service or program previously approved.

BASIS OF ACCOUNTING and BASIS OF BUDGETING: The system under which revenues, expenditures, expenses, and transfers – and the related assets and liabilities – are recognized in accounts and reported in financial statements. Basis of Accounting and Basis of Budgeting specifically relates to the timing of the measurements made. Full Accrual and Modified Accrual are each an accepted Basis of Accounting and Basis of Budgeting. The Town of Cary does not distinguish between Basis of Accounting and Basis of Budgeting. All Town of Cary funds are maintained on a modified Accrual basis.

BIOSOLIDS: Defined as stabilized wastewater organisms, this by-product of wastewater treatment is sold as fertilizer by the Town. Commonly referred to as "sludge."

BOND: A written promise to pay a designated sum of money (the principal) at a specific date in the future, along with periodic interest at a specified rate. The payment on bonds is identified as Debt Service. Bonds are generally used to obtain long-term financing for capital improvements.

BOND ANTICIPATION NOTES (BANS): Short-term interest-bearing notes issued by the Town in anticipation of bonds to be issued at a later date. The notes are retired from the proceeds of the bond issue to which they are related.

BOND FUNDS: Resources derived from issuance of bonds for specific purposes and related Federal project grants used to finance capital expenditures.

BOND RATING: A rating (made by an established bond rating company) from a schedule of grades indicating the probability of timely repayment of principal and interest on bonds issued. Cary has a AAA bond rating from all three major bond rating companies.

BOND REFERENDUM: An election in which registered voters vote on whether the Town will be allowed to issue debt in the form of interest-bearing bonds.

BUDGET: A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Upon approval by the Town Council, the budget appropriation ordinance becomes the legal basis for expenditures in the budget year.

BUDGET DOCUMENT (PROGRAM AND FINANCIAL PLAN): The official written statement prepared by the Town staff reflecting the decisions made by the Council in their budget deliberations.

BUDGET MESSAGE: A general discussion of the budget that provides the Town Council and public with a summary of the most important aspects of the budget, changes from previous fiscal years, and the views and recommendations of the Town Manager.

BUDGET ORDINANCE: A formal legislative enactment by the Town Council. If it is not in conflict with any higher form of law, such as a statute or constitutional provision, it has full force and effect of law within the boundaries of the municipality to which it applies.

BUDGET SCHEDULE: The schedule of key dates or milestones that the Town follows in preparation and adoption of the budget.

CAPITAL IMPROVEMENTS: Major construction, repair of, or addition to buildings, parks, streets, bridges and other Town facilities. Capital Improvements projects cost \$25,000 or more, and have a useful life of more than three years.

CAPITAL IMPROVEMENTS BUDGET: The schedule of project expenditures for the acquisition and construction of capital assets for the current fiscal year.

CAPITAL IMPROVEMENTS PLAN: The annually updated plan or schedule of project expenditures for public facilities and infrastructure (buildings, roads, etc.), with estimated project costs, sources of funding, and timing of work over a ten-year period.

CAPITAL OUTLAY: Vehicles, equipment, improvements, software, and furniture purchased by the Town which individually amount to an expenditure of \$1,000 or more, but less than \$25,000, and which have an expected life of more than one year.

CAPITAL RESERVE FUND: A special fund used as a clearing house for monies being transferred from other funds into capital project accounts.

CONTINGENCY ACCOUNT: Account in which funds are set aside for emergency and exceptional expenditures that may become necessary during the year and which have not otherwise been provided for in the context of the annual operating budget.

COUNCIL-MANAGER FORM OF GOVERNMENT: Under this form of government, the Mayor and Council establish policy, while a professional manager and his/her appointees are responsible for governmental operations.

DEBT LIMIT: The maximum amount of outstanding gross or net debt legally permitted. The State of North Carolina forbids cities from incurring debt in excess of 8% of the total assessed valuation of taxable property within the city.

DEBT SERVICE: Payment of long term debt principal, interest, and related costs on borrowed funds such as bonds. Debt service is budgeted and accounted for in the fund in which it is incurred.

DEFERRED COMPENSATION: The Town participates in a supplementary retirement income plan (401-K). In addition to Town contributions, each employee has the option of making additional pre-tax contributions.

DEPARTMENT: A major administrative division of the Town that indicates overall management responsibility for an operation or a group of related operations within a functional area. A department usually has more than one program and may include activities or divisions that are accounted for in different funds.

DEVELOPMENT FEES: These fees were developed in FY 1999 to replace the majority of the Town's utility capital impact fees. There is a separate fee for water and sewer. The development fees replace acreage fees, and connection charges. The fees are due entirely at building permit issuance.

DEVELOPER REIMBURSEMENT: A special case in which the Town reimburses the developer's contribution for a particular construction project, such as waterline oversizings. In the reverse of this situation, the developer may have to reimburse the Town.

DIVISION: A program or function that falls within the specific functional area assigned to a particular Department. Several Divisions may comprise a single Department.

ENCUMBRANCE: A financial commitment for a contract not yet performed. An encumbrance is charged against an appropriation, and a portion of the appropriation is reserved for the purpose of satisfying the encumbrance. It represents the expenditure the Town will make after performance under the contract is completed and an invoice is served.

ENTERPRISE FUND: A grouping of activities whose expenditures are wholly or partially offset by revenues collected from consumers in the form of fees or charges.

EXPENDITURE: The outlay of or obligation to pay cash; a decrease in net financial resources.

EXTRATERRITORIAL ZONING JURISDICTION (ETJ): A geographic area extending from one to three miles beyond a municipality's corporate limits within which the municipality exercises zoning and subdivision control, and enforces the State Building Code. A municipality assumes this authority only if the county is not enforcing these three types of development regulations.

FINAL BUDGET: Term used to describe revenues and expenditures for the upcoming year beginning July 1 as adopted by the Town Council.

FIXED ASSETS: Assets of a long-term character which are intended to be held or used, such as land, buildings, machinery, furniture, and other equipment.

FISCAL YEAR: Any consecutive twelve-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. The Town of Cary's fiscal year runs from July 1 to June 30.

FLEXIBLE SPENDING ACCOUNTS: Town employees have the option of having pre-tax dollars deducted from their paychecks and held in a special account, designated for either medical or child care expenses. Throughout the year, employees can submit claims to their flex accounts, and be reimbursed with their own, pre-tax dollars.

FRANCHISE FEE: A fee paid by public service businesses for use of Town streets, alleys, and property in providing their services to the citizens of a community. Example: The Town charges a Cable Television Franchise Fee to cable television companies serving Cary citizens.

FULL-TIME POSITION: Any employee who receives full benefits and works at least 40 hours per week.

FULL-TIME EQUIVALENT POSITION (FTE): A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a seasonal employee working for four months, or 690 hours, would be equivalent to .3 of a full-time position.

FUNCTION: A group of related programs crossing organization (departmental) boundaries and aimed at accomplishing a broad goal or major service.

FUND: An accounting entity with self-balancing accounts. A fund records all financial transactions for specific activities or government functions.

FUND BALANCE: Amounts shown as fund balance represent monies which remain unspent after all budgeted expenditures have been made. North Carolina statutes dictate that a portion of fund balance is not available for appropriation in the following fiscal year. This term is used in relation to governmental funds.

FUND EQUITY: Amounts shown as fund equity represent monies which remain unspent after all budgeted expenditures have been made. This term is used in relation to proprietary funds.

GAAP (Generally Accepted Accounting Principles): Accounting principles that are commonly used in preparing financial statements and generally accepted by the readers of those statements. The authoritative source of GAAP for state and local governments is the Governmental Accounting Standards Board (GASB).

GENERAL FUND: The general operating fund of the Town used to account for all financial resources except those required to be accounted for in another fund.

GENERAL LEDGER: A record containing the accounts needed to reflect the financial position and the results of operations of a government.

GENERAL OBLIGATION BONDS: Debt issued by the Town, repayment of which is backed by full taxing power.

GOAL: A statement of broad direction, purpose or intent based on the needs of the community. A goal is general and timeless; that is, it is not concerned with a specific achievement in a given time period.

GRANTS: Contributions or gifts of cash or other assets from another government to be used or expended for a specified purpose, activity, or facility.

INTERCEPTOR: A large sanitary sewer collection line.

INTERNAL SERVICE FUNDS: Those funds used to account for the financing of goods or services provided by one Town department to others on a cost reimbursement basis.

INVESTMENT REVENUE: Revenue earned on investments with a third party. The Town uses a pooled cash system, pooling the cash of all funds and investing it in total. The interest earned is then allocated back to the individual funds by the average cash balance in that fund.

LGC (Local Government Commission): An agency in the NC State Treasurer's Office which oversees local government bonded debt and assists cities and counties in all areas of fiscal management. The LGC conducts all bond sales, and ensures that local units have sufficient fiscal capacity to repay debt.

LIABILITIES: Debts or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date. This term does not include encumbrances.

MGD (Million Gallons Per Day): A measure used to express the amount of water or wastewater that is treated at the water and wastewater treatment plants.

MODIFIED ACCRUAL: The basis of budgeting and accounting where revenues are recorded when collectable within the current period or soon thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the related liability is incurred.

NET BONDED DEBT: The amount calculated as gross bonded debt less debt service monies available at year-end less debt payable from Enterprise Revenues, which ultimately equates to amounts to be repaid through property taxes.

OBJECTIVE: A statement of specific direction, purpose or intent to be accomplished by staff within a program.

OCCUPANCY TAX: A locally administered tax levied on the occupancy of hotel and motel rooms in addition to sales tax. The Wake County Occupancy Tax is 6%.

OPERATING BUDGET: The Town's financial plan that outlines proposed expenditures for the coming fiscal year and estimates the revenues that will be used to finance them.

OPERATING FUNDS: Resources derived from recurring revenue sources used to finance ongoing operating expenditures and pay-as-you-go capital projects.

OPERATIONS AND MAINTENANCE EXPENDITURES: Costs other than those for salaries, benefits, and capital outlay that are necessary for the provision of services offered by the Town.

PAYMENT-IN-LIEU: Payments made typically by developers in lieu of donation of recreation land, construction of streets, greenways, etc. This payment is based on appraised values. These funds are restricted to specific types of parks and recreation and transportation projects.

PERSONNEL SERVICES: The expenditure category that includes total costs of all wages, salaries, retirement, and other fringe benefits.

PERFORMANCE MEASUREMENT: Any systematic attempt to learn how responsive a government's services are to the needs of constituents through the use of standards, workload indicators, etc.

POLICE SEPARATION ALLOWANCE: A separate trust fund required by state law, to provide a separation allowance for police officers if they retire after age 55 and have served at least 5 years.

POWELL BILL FUNDS: An intergovernmental transfer from the State of North Carolina. These revenues are based on gasoline sales in the state and the number of miles of streets within the Town. These funds must be used for transportation projects.

PRETREATMENT PROGRAM: Industries must obtain a permit and renew it annually in order to discharge into the Town's wastewater system. The program includes sampling charges for monitoring the industry's discharge and surcharges for any discharges exceeding desired limits.

PRIOR YEAR AD VALOREM (PROPERTY) TAXES: Ad Valorem (Property) Taxes that remain unpaid on or after the date they are due. A penalty is included for non-payment.

PRODUCTIVITY: A measure of the output of Town programs per unit of resource input invested.

PROGRAM: An organized set of related work activities, which are directed toward accomplishing a common goal. Each Town department is usually responsible for a number of related service programs.

PROPERTY TAX (AD VALOREM TAX): A tax levied on the assessed value of real and personal property located within the Town. The FY 2003 rate is \$0.42 per \$100 of assessed valuation.

PUD (Planned Unit Development): A tract of land under single ownership, or under common control evidenced by duly recorded contracts or agreements approved by the Town Council, that is planned and developed as an integral unit in a single development operation or in a programmed series of development operations in accordance with a master land use plan and detailed engineering and architectural plans as approved by Town Council.

REFUNDING: The issuance of long term debt in exchange for, or to provide funds for, the retirement of long-term debt already outstanding. Refunding is essentially the "refinancing" of long-term debt.

RESERVE: A portion of fund balance earmarked to indicate that it 1) is not available for expenditure, or 2) is legally segregated for a specific future use.

RESOURCES: Assets that can be used to fund expenditures. These can be such things as property taxes, charges for service, beginning fund balance, or working capital.

RETAINED EARNINGS: An equity account reflecting the accumulated earning of an enterprise or internal service fund.

REVENUE: Income received from various sources used to finance government services (ex. sales tax revenue).

REVENUE BONDS: Bonds whose principal and interest are payable exclusively from earnings of an Enterprise Fund. Such bonds sometimes contain a mortgage on the fund's property.

RISK MANAGEMENT: The identification and control of risk and liabilities incurred by a local government to conserve resources from accidental loss.

SERVICE LEVEL TREND: The tracking, over a specified time period, of an output measure showing a workload change or the degree of achievement for stated program objectives.

SEWER DEVELOPMENT FEES: See *Development Fees*.

SPECIAL REVENUE FUNDS: Special Revenue Funds are used to account for resources that are subject to legal spending restrictions. They are created when a resolution, statute or ordinance requires that specific taxes or special revenue sources are used to finance a particular activity.

SUPPLEMENTAL BUDGET ALLOWANCE: A supplemental budget allowance reflects additional personnel, equipment, and related expenses that increase the size of the work force or the inventory of equipment.

TAX BASE: The total assessed valuation of real property within the Town.

TAX RATE: See *Ad Valorem Tax or Property Tax*.

TIPPING FEES: The cost incurred by the Town to deposit garbage in the Wake County Landfill. In FY 2003 the Town has budgeted \$35.00/ton to cover these charges.

TRANSFER: An appropriation to or from another fund. A transfer is the movement of money from one fund to another to wholly or partially support the functions of the receiving fund.

TRANSPORTATION DEVELOPMENT FEE: Impact fees charged by the Town to developers which are to be used to construct and improve thoroughfares in and around subdivisions. This fee was added during FY 1990 with permission of the State Legislature.

TRANSPORTATION IMPROVEMENT PROGRAM (TIP): A document containing funding information and schedules for State Transportation Projects, including highways, aviation, enhancements, public transportation, rail, bicycle and pedestrians, and the Governor's Highway Safety Program. TIP is the statewide program run by the North Carolina Department of Transportation.

TRUST AND AGENCY FUNDS: These funds are custodial (used to account for assets held by a government in a trustee capacity) and do not involve measurement of results of operations. They are generally limited to instances where legally mandated, or where a formal legal trustee relationship exist. Principal and interest in the funds may be expended in the course of their designated operations.

USER CHARGES: The payment of a fee for direct receipt of a public service by the party benefiting from the service.

UTILITY FRANCHISE TAX: Tax levied by the state on electric, gas, telephone, and street transportation companies. The proceeds are shared with municipalities.

WATER DEVELOPMENT FEES: See *Development Fees*.

WORKLOAD INDICATORS: An indication of the output of a department. It may consist of transactions, products, events, services, or persons served.