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# Glossary

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**Accrual Accounting** - A basis of accounting which revenues and expenses are recorded at the time they are incurred, instead of when cash is actually received or disbursed.

**Ad Valorem Taxes** - Please see Property Taxes.

**Appropriation** - An authorization granted by the Board of Commissioners to make expenditures and incur obligations for purposes specified in the Budget Ordinance.

**Assessed Valuation** - A value established by the Buncombe County Tax Assessor's office for real and personal property to be used as a basis for levying property taxes.

**Balanced Budget** - When planned expenditures equal anticipated revenues. The North Carolina Local Government Budget and Fiscal Control Act requires the budget, which is submitted to the Board of Commissioners, to be balanced.

**Bond** - A written promise to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond ordinance. The most common types of bonds are general obligation and revenue bonds. These are most frequently used for construction of large capital projects.

**Budget** - A plan of financial operation for the Town of Lake Lure and its various municipal services, which includes estimated revenues and expenditures for a specific fiscal year.

**Budget Amendment** - A procedure used by the Town staff and Board of Commissioners to revise a budget appropriation.

**Budget Calendar** - A schedule, which outlines the process of budget preparation, adoption, and administration.

**Budget Document** - The official document, representing a comprehensive financial program for a specific fiscal year, which is prepared by the Town staff and approved by the Board of Commissioners. The document presents policies and various budgetary information which reflect decisions made by the Board of Commissioners.

**Budget Message** - A general discussion of the budget which provides the Board of Commissioners and the public with a general 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 document adopted by the Board of Commissioners which lists revenues by source, appropriations by department or fund, and levies taxes for the coming fiscal year.

**Capital Outlay** - Items (i.e. vehicles, equipment, and furniture) purchased by the Town which have an expected life exceeding one year.

**Cash Accounting** - Basis of accounting which recognizes revenues when a government receives cash and costs when it disburses cash.

**Cash Management** - The management of cash necessary to pay for government services while investing temporary cash excesses in order to earn interest revenue. Cash management refers to the activities of forecasting the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships.

**Contingency** - Accounts for which funds are set aside for unforeseen expenditures which may become necessary during the year. The Board of Commissioners must approve use of the funds before they can be appropriated.

**Debt Service** - An obligation by the Town to pay the principal and interest of all bonds and other debt instruments (lease-purchase agreements, etc.) according to a predetermined payment schedule.

**Department** - A unit of the Town government which is responsible for performing a primary governmental function.

**Delinquent Taxes** - Taxes that remain unpaid on and after the due date on which a penalty for nonpayment is attached.

**Effectiveness** - A measure of the extent to which a desired or anticipated result is attained.

**Encumbrance** - The commitment of appropriated funds to purchase an item or service. To encumber funds is to set aside or commit funds for future expenditures.

**Enterprise Fund** - A fund used to account for activities that are financed and operated in a manner similar to business enterprises and for which a fee for services is charged. Fees are charged to the consumers (users) of the service to completely or partially recover the expenses of the operation. Enterprise Funds typically include public utilities, sanitation, airports, golf courses and transportation systems.

**Estimated Revenue** - The amount of projected revenue to be collected during the fiscal year. The amount of revenue appropriated is the amount approved by the Board of Commissioners in the Budget Ordinance.

**Expenditure** - The cost of goods or services received by the Town.

**Fiscal Year** - The time period which indicates the start and finish for recording financial transactions. The Fiscal Year for the Town of Lake Lure starts on July 1st and ends on June 30th.

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

**Fund** - A separate fiscal and accounting entity with a separate set of accounting records that governments segregate to carry on a specific activity.

**Fund Balance** - The cash and investments, which remain at the end of the fiscal year, which can legally be appropriated to fund expenditures in the upcoming fiscal year. The Local Government Budget Fiscal and Fiscal Control Act limits the amount of fund balance monies which may be appropriated in the next budget year.

**GAAP** - Generally Accepted Accounting Principles (GAAP) relates to accounting rules and uniform standards for financial reporting, representing generally accepted practices and procedures of the accounting profession. GAAP provides a set of minimum standards and guidelines for financial accounting and reporting. Therefore, all GAAP-Basis Financial statements are reasonably comparable, regardless of the legal jurisdiction or geographic location of the government.

**General Fund** - A fund established to account for the resources used for the general operation of the Town.

**General Ledger** - An accounting file (mechanism) which is a grouping of the accounts in which the activities of the Town are recorded.

**General Obligation Bonds** - Debt instruments issued by the Town, which are backed by the full faith and credit of the issuing government.

**Goal** - A broad/general statement of direction based on the needs of the community and government.

**Indicator** - A quantitative measure or index which may represent the degree of presence or magnitude of change in a condition.

**Interfund Transfer** - Money transferred from one fund to another.

**Intergovernmental Revenue** - Revenue received from another government for a specified purpose.

**Investment Revenue** - Revenue earned on investments with a third party. The town uses a pool cash system. All the funds' cash is pooled and invested together. The interest earned is then allocated back to the individual funds by the average cash balance in that fund.

**LGBFCA** - The Local Governmental Budget and Fiscal Control Act governs all financial activities of local governments within the state of North Carolina.

**Local Government Commission** - A commission of the N.C. State Treasurer's Office established by the General Assembly and responsible for overseeing the financial activities of local governments in North Carolina. The Commission may prescribe rules and regulations having the same force of law.

**Long Term Debt** - Debt with a maturity of more than one year after the date of issuance.

**Maturities** - The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.

**Modified Accrual Accounting** - A basis of accounting in which expenditures are accrued but revenues are accounted for on a cash basis. This accounting technique is a combination of cash and accrual accounting since expenditures are immediately incurred as a liability while revenues are not recorded until they are actually received or are "measurable" and "available for expenditure."

**Objective** - A statement of specific direction, which is to be accomplished by the staff or departments.

**Operating Transfer** - Routine and/or recurring transfers of assets (money) between funds.

**Program** - An organized set or 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 Taxes (Ad Valorem)** - Taxes paid by property owners in the Town of Lake Lure. These taxes are levied on both real and personal property, according to the property's valuation and the tax rate.

**Property Tax Rate** - The rate at which real and personal property in Town is taxed in order to produce the necessary revenues to conduct vital governmental activities. The current tax rate in the Town of Lake Lure is \$.403 per \$100 of assessed valuation.

**Recommended Budget** - The budget proposal made by the Town Manager and presented to the Board of Commissioners.

**Retained Earnings** - An equity account reflecting the accumulated earnings of an Enterprise Fund.

**Revenue** - Income received from a variety of sources and used to finance government or enterprise operations.

**Special Assessment** - A mandatory levy made against specific properties to absorb part or all of the cost of a specific improvement or service deemed primarily to benefit those certain properties.

**Tax Levy** - The total amount of revenue to be raised by property (ad valorem) taxes.

**Unencumbered Balance** - The amount of an appropriation that is neither expended nor encumbered. It is essentially the amount of money still available for future purchases.

**User Fees** - The payment of a fee for direct receipt of a public service by the party benefiting from the service.