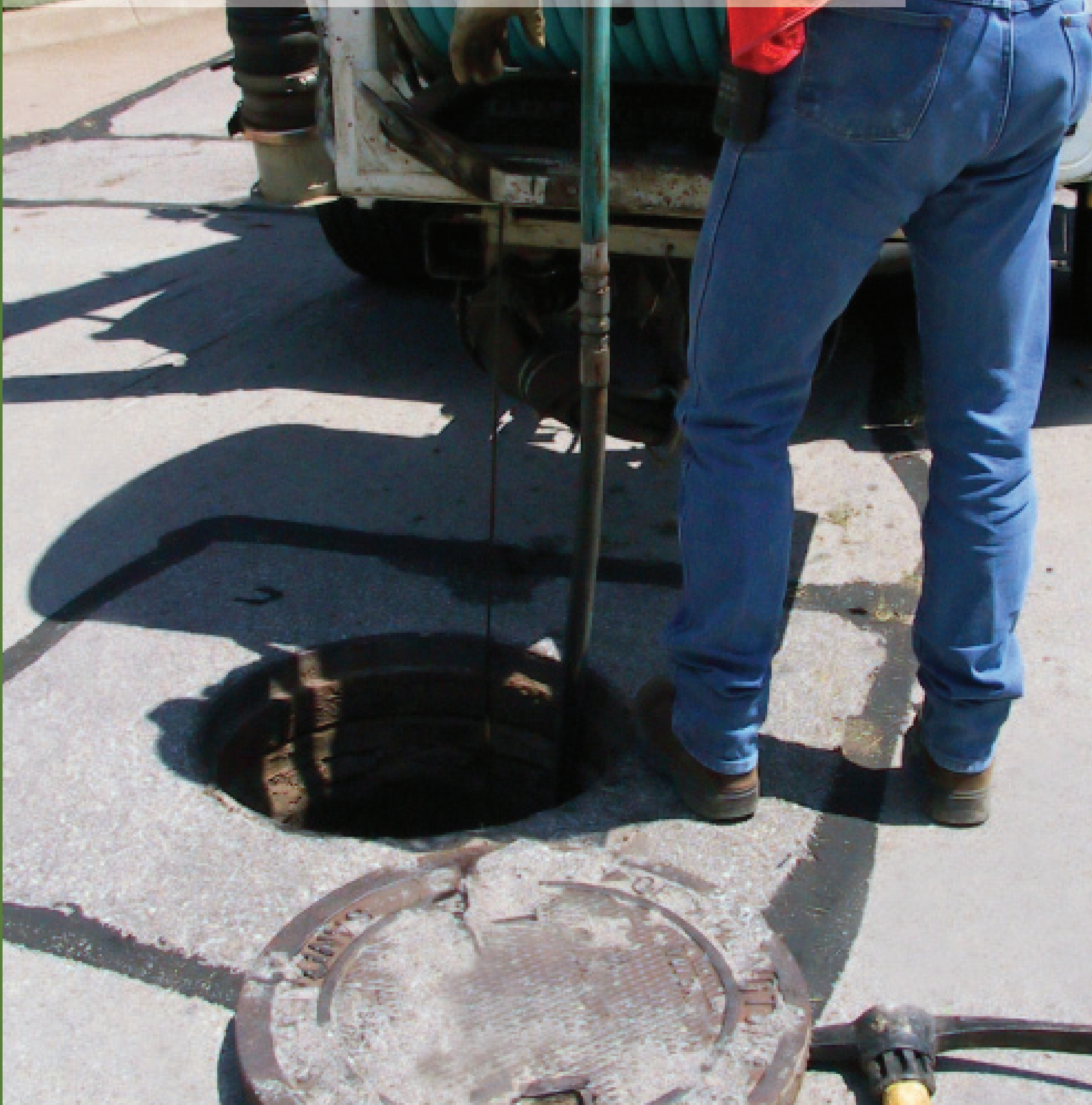
Appendix 2: Financial Glossary

The following glossary provides helpful definitions to provide a greater understanding of the financial terms related to wastewater management.



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Appendix 2: Financial Glossary

Accelerated Depreciation: Any depreciation method that allows for greater deductions or charges in the earlier years of an assets depreciable life, with charges becoming progressively smaller in each successive period. Examples would include the double declining balance and sum-of-the-years digits methods.

Accrual Accounting Method: A form of reporting profits or losses based on the consummation of a transaction being accepted by form of contract or invoice without the realization of cash or an expense that has been incurred but has not yet been disbursed.

Accrual Basis: The practice of record keeping by which income is recorded when earned and expenses are recorded when incurred, even though the cash may be received or paid out later.

Ad Valorem Tax: A tax based on the assessed value of property. Counties, school districts, and municipalities usually are authorized to levy ad valorem taxes. Special districts can also be authorized to levy ad valorem taxes.

Amortization: A breakdown of periodic loan payments into two components: a principal portion and an interest portion. The gradual reduction of a debt by means of equal periodic payments sufficient to meet current interest and liquidate the debt at maturity. When the debt involves real property, often the periodic payments include a sum sufficient to pay taxes and hazard insurance.

Annualization: The process of adjusting a utility company's annual historical information to reflect a full 12-month period for known changes reasonably expected to continue into the future. Annualization adjustments are routinely made in developing a utility company's total cost of service.

Appreciation: The increase in the value of an asset in excess of its depreciable cost which is due to eco¬nomic and other conditions, as distinguished from increases in value due to improvements or additions made to it.

Asset: Anything owned by an individual or a business, which has commercial or exchange value. Assets may consist of specific property or claims against others, in contrast to obligations due others. (See also Liabilities).

Asset Based Lending: A loan to an individual or company collateralized by a specific asset or group of assets. Typically asset based loans do not require real property as collateral.

Asset Sale: An asset sale is the transfer of ownership of government assets, commercial-type enterprises, or functions to the private sector. In general, the government has no role in the financial support, management, or oversight of a sold asset. However, if the asset is sold to a company in an industry with monopolistic characteristics, the government may regulate certain aspects of the business, such as utility rates.

Assurance/Performance Bonding: Performance or assurance bonding is a requirement that users of environmental resources place in an escrow account a sum of money adequate to cover potential future environmental damages.

Authority (Lease Revenue): A bond secured by the lease between the authority and another agency. The lease payments from the "city" to the agency are equal to the debt service.

Bond: An interest-bearing certificate issued by governments and corporations when they borrow money. The issuer agrees to pay a fixed principal sum on a specified date (the maturity date) and at a specified rate of interest. In measuring municipal bond volume, a bond is a security maturing more than one year from issuance; shorter-term obligations are usually termed notes or commercial paper.

Bond Anticipation Note (BAN): A note issued by public agencies to secure temporary (often partial) financing for a project that will eventually be fully financed (and the BAN repaid) through the sale of bonds.

Bond Bank: A state-chartered organization that purchases the bonds of local governments and secures its own debt with the pool of local bonds. This arrangement cuts borrowing costs for the local issuers because the bond bank's debt usually carries higher ratings than that of the municipalities, whose issues are usually too small to be rated anyway. Credit enhancements, such as bond insurance, are also cheaper when purchased for larger issues. Localities' use of the bond bank is voluntary.

Bond Counsel: A lawyer who reviews the legal documents and writes an opinion on the security, tax-exempt status and issuance authority of a bond or note.

Bond Discount: The excess of the face value of a bond over the price for which it is acquired or sold. The price does not include accrued interest at the date of acquisition or sale.

Bond Election: The process by which voters approve or reject bond issues.

Bond-Equivalent Yield: The annualized yield to maturity computed by doubling the semiannual yield.

Bond Fund: A fund formerly used to account for the proceeds of general-obligation bond issues. Such proceeds are not accounted for in a capital-projects fund.

Bond Indenture: The contract that sets forth the promises of a corporate bond issuer and the rights of investors.

Bond Insurance: Insurance that can be purchased by an issuer for either an entire issue or specific maturities, which guarantees the payment of principal and/or interest. This security usually provides a higher credit rating and thus a lower borrowing cost for an issuer.

Bond Issued: Bond sold.

Bond Premium: The excess of the price at which a bond is acquired or sold over its face value. The price does not include accrued interest at the date of acquisition or sale.

Bond Proceeds: The money the issuer receives from its bond sale.

Bonded Debt: That portion of indebtedness represented by outstanding bonds.

Bonds Authorized and Un-issued: Bonds that have been legally authorized but not issued and which can be issued and sold without further authorization. This term must not be confused with the terms “margin of borrowing power” or “legal debt margin,” either one of which represents the difference between the legal debt limit of a government and the debt outstanding against it.

Bonds, Debenture: A form of long-term loan included in debt capital, which is secured by the general credit worthiness of the utility.

Bonds, Mortgage: A form of long-term loan, included in debt capital, which is secured by the utility’s property.

Budget: A budget is an itemized listing of the amount of all estimated revenue which a given business anticipates receiving, along with a listing of the amount of all estimated costs and expenses that will be incurred in obtaining the above mentioned income during a given period of time. A budget is typically for one business cycle, such as a year, or for several cycles (such as a five year capital budget).

Callable Bond: A bond that can be redeemed by the issuer prior to its maturity. Usually a premium is paid to the bond owner when the bond is called.

Capital: Funds necessary to establish or operate a business.

Capitalization: Also called financial leverage ratios, ratios that compare debt to total capitalization and thus reflect the extent to which a corporation is trading on its equity. These ratios can be interpreted only in the context of the stability of industry and company earnings and cash flow.

Capital Budget: This is the estimated amount planned to be expended for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods. The capital budget, however, is limited to the expenditures which will be made within the fiscal year comparable to the related operating budgets.

Capital Costs: Expenditures that typically result in the acquisition or addition to fixed assets that have a useful life of over one year and a cost greater than a threshold value established by the owner. Capital costs include expenditures for replacements and major additions, but not for repairs.

Capital Lease: A lease that meets at least one of the following criteria, and therefore must be treated essentially as a loan for book accounting purposes: title passes automatically by the end of the lease term; lease contains a bargain purchase option; lease term is greater that 75% of estimated economic life of the equipment; present value of lease payments is greater than 90% of the equipment’s fair market value.

Capital Outlay: Expenditures that result in the acquisition of or addition to fixed assets.

Capital-Projects Fund: A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special funds, and trust funds).

CERCLA: Comprehensive Environmental Response, Compensation and Liability Act.

Collateral: Assets pledged as security against a loan in case of default. The intangible or tangible property given as security to the lender by the account credit for any obligations and indebtedness of account creditor.

Commercial Loan: A loan from a privately-owned bank at market rates.

Community Water System: A water system which supplies drinking water to 25 or more of the same people year-round in their residences.

Connection Fee: A charge assessed to new users of a utility system to cover the costs of constructing capacity for their use.

Contracting Out: Contracting out is the hiring of private-sector firms or non-profit organizations to provide goods or service for the government. Under this approach, the government remains the financier and has management and policy control over the type and quality of goods or services to be provided. Thus, the government can replace contractors that do not perform well.

Cost of Capital: The weighted-average cost of funds that a firm secures from both debt and equity sources in order to fund its assets. The use of a firm's cost of capital is essential in making accurate capital budgeting and project investment decisions.

Coupon Rate: The interest rate specified on interest coupons attached to a bond. The term is synonymous with nominal interest rate.

Coverage: The ratio of revenue available for debt service to the average annual debt service requirements of an issue of revenue bonds.

Current Assets: Current assets are those assets of a company which are reasonable expected to be realized in cash or sold, or consumed during the normal operating cycle of the business (usually one year). Such assets include cash, accounts receivable and money due usually within one year, short-term investments, US government bonds, inventories, and prepaid expenses.

Current Liabilities: Liabilities to be paid within one year of the balance sheet date.

Debenture Bonds: See Bonds, Debenture.

Debt: An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and floating debt.

Debt to Equity Ratio: A return on investment; an investment created by a form of debt, i.e., bank loan, investor funds, etc. of which is converted to profit then retained in earnings which is referred to as "owner" or "stockholder" equity.

Debt Financing: Raising funds for a business by borrowing, often in the form of bank loans.

Debt Limit (Ceiling): The legal maximum debt-incurring power of a State or locality. Debt limits are often imposed by constitutional, statutory, or local charter provisions.

Debt, Long-term: Debt that is payable more than one year from the date it was incurred.

Debt Per Capita: Bonds divided by population. When compared with other jurisdictions, this statistic serves as an indicator of the use of public debt capacity in the area in question.

Debt Ratio: The ratio of an issuer's debt outstanding to a measure of property value.

Debt Service: The amount of money necessary to pay interest and principal charges on an outstanding debt.

Debt Service Fund: A fund created by a bond indenture and held by the trustee, usually amounting to principal and interest payment for one year, and used only if normal revenues are not sufficient to pay debt service.

Debt Service Fund Requirements: The amount of revenue that must be provided for a debt service fund so that all principal and interest payments can be made in full on schedule.

Debt Service Requirements: The amount of money required to pay interest on outstanding debt, serial maturities of principal for serial bonds, and required contributions to accumulate monies for future retirement of term bonds.

Debt Service Reserve Fund: A fund created by a bond indenture and held by the trustee, usually amounting to principal and interest payment for one year, and used only if normal revenues are not sufficient to pay debt service.

Debt, Short-term: Debt that falls due in a period of under a year.

Default: The failure to make timely payment of interest or principal on a debt instrument; or the occurrence of an event as stipulated in the indenture of trust resulting in an abrogation of that agreement. An issuer does not default until it fails to make a payment.

Depreciation: The amount of expense charged against earnings by a company to write off the cost of a plant or machine over its useful life, giving consideration to wear and tear, obsolescence, and salvage value. If the expense is assumed to be incurred in equal amounts in each business period over the life of the asset, the depreciation method used is straight line (SL). If the expense is assumed to be incurred in decreasing amounts in each business period over the life of the asset, the method used is said to be accelerated. Two commonly used variations of the accelerated method of depreciating an asset are the sum-of-years digits (SYD) and the double-declining balance (DDB) methods. Frequently, accelerated depreciation is chosen for a businesses' tax expense but straight line is chosen for its financial reporting purposes.

Direct Cost: A cost that can be economically traced to a single cost object.

Discount Rate: The time value of money or the rate of interest a company wants to earn on its investments.

Easement: In most states, an easement is a legal restriction contained within a deed that prohibits certain land uses in perpetuity. For example, an easement might prohibit development of more than one house on 20 acres of oceanfront property. Private landowners who place easements on their property for natural resources protection can take a tax write-off representing the value lost on the property due to the deed restrictions.

Earmarking: Statutory or constitutional dedication of revenues to specific government projects or programs.

Economic Life of Leased Property: The estimated period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance for the purpose for which it was intended at the inception of the lease.

Environmental Cost Accounting: The addition of environmental cost information into existing cost accounting procedures and/or recognizing embedded environmental costs and allocating them to appropriate products and processes.

Estimated Useful Life: The period in which an asset is expected to be useful in trade or business.

Equity: Equity reflects the fairness of the distribution of the funding burden for an AFM among individuals. Equity can be approached from two directions: those who create or contribute to environmental problems should bear the funding burden (the "polluter" pays), or those who benefit from program activities should bear the funding burden (the "beneficiary" pays.)

Equipment Leasing: Contracting to pay monthly fees to use equipment, instead of buying it.

Fee: A fee is generally a charge for services rendered. Although laws vary widely, many states require that fees be set at rates that will cover only the costs of the services provided.

Finance Lease: A lease used to finance the purchase of equipment; not a true lease. Finance leases are generally considered to be capital leases from an accounting perspective and non-tax leases from a tax perspective.

Fines and Penalties: Fines and penalties require offenders to pay monetary damages for violating government laws or regulations.

Fixed Assets: Those assets of a permanent nature required for the normal conduct of a business, and which will not normally be converted into cash during the ensuring fiscal period. For example, furniture, fixtures, land, and buildings are all fixed assets. However, accounts receivable and inventory are not.

Fixed Cost: Fixed costs are operating expenses that are incurred by facilities and organizations which are kept in readiness to do business without regard to actual volumes of production and sales. Fixed costs remain relatively constant until changed by managerial decision. Within general limits they do not vary with business volume. Examples of fixed costs consist of rent, property taxes, and interest expense.

Full Cost Accounting: A method of financial and management accounting that allocates all direct and indirect historical costs to a product or process.

Full Cost Recovery: Full cost recovery means charging fees to completely cover costs incurred by a particular activity or service. Some state and local governments, as well as local utilities, are beginning to practice full cost recovery by legislatively requiring that fees be set to cover the complete cost of services rendered.

Full Faith and Credit: The pledge of the general taxing power of a government to pay its debt obligations.

Full Payout Lease: A lease in which the total of the lease payments pay back to the leaser the entire cost of the equipment including financing, overhead, and a reasonable rate of return, with little or no dependence on a residual value.

Fund: A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

General Obligation Bond: A security backed by the full faith and credit of a state or locality. In the event of default, the holders of general obligation bonds have the right to compel a tax levy or legislative appropriation in order to satisfy the debt obligation.

Grant: A monetary sum awarded to a State or local government or non-profit organization that does not need to be repaid. Typically, grants are awarded by the federal government to State or local governments or by States to local governments, to finance a particular activity or facility.

Grant Anticipation Notes (GAN): Notes issued by public agencies to secure temporary financing for projects awaiting the receipt of permanent funding through governmental grants. The GAN is repaid from grant proceeds.

Gross Direct Debt: The total amount of bonded debt of a government (general obligation bonds plus revenue bonds).

Guarantee, loan: Promise to take responsibility for payment of part or all of a debt if the person borrowing the money fails to pay off the loan.

Guaranty or Guaranty Agreement: The agreement of a third party to pay debt service on a debt in the event of default by the issuer.

Impact Fee: A fee assessed against private developers in compensation for the new capacity requirements their projects impose upon public facilities.

Industrial-Revenue Bonds: Bonds issued by governments, the proceeds of which are used to construct facilities for a private business enterprise. Lease payments made by the business enterprise to the government are used to service the bonds. Such bonds may be in the form of general-obligation bonds, combination bonds, or revenue bonds.

Insured Bond: A municipal bond backed both by the credit of the municipal issuer and by commercial insurance policies.

Interest: The charge or cost of borrowing money, measured in terms of a percentage per annum of the principal amount.

Internal Rate of Return: A return on an investment greater than the amount described in a contract or any other investment instrument. The internal rate-of-return is measured by the ability of the investor to reduce internal expenses during the course of managing the investment; which means the investor actually makes more than what is outlined in the contract or other investment instrument.

Lease: A contract through which an owner of equipment (the leaser) conveys the right to use its equipment to another party (the lessee) for a specified period of time (the lease term) for specified periodic payments.

Lease Purchase: Full payout, net leases structured with a term equal to the equipment's estimated useful life. Because many Lease Purchases include a bargain purchase option for the lessee to purchase the equipment for one dollar at the expiration of the lease, these leases are often referred to as dollar buyout or buckout-leases. Lease purchases are generally considered to be Capital Leases from an accounting perspective and non-tax leases from a tax perspective due to their bargain purchase option and length of lease term.

Lease Rental Bonds: Bonds for which the principal and interest are payable exclusively from rental payments from a lessee. Rental payments are often derived from earnings of an enterprise that may be run by the lessee or the leaser. Rental payments may also come from taxes levied by the lessee.

Lease Schedule: A schedule to a Master Lease agreement describing the leased equipment, rentals and other terms applicable to the equipment.

Lessee: The party to a lease agreement who is obligated to pay the rentals to the leaser and is entitled to use and possess the leased equipment during the lease term.

Leaser: The party to a lease agreement who has legal or tax title to the equipment (in the case of a true tax lease), grants the lessee the right to use the equipment for the lease term and is entitled to receive the rental payments.

Leverage: Debt in relation to equity.

Leveraging: The use of grant or loan funds as reserve funds for the issuance of debt. Leveraging is used by several states participating in the Water Pollution Control State Revolving Fund program to increase the amount of funds available for loans.

Liability: Claim on the assets of a company.

Liability Assignment: Liability assigned through common law or statute, whereby individuals or companies may be held financially responsible for environmental damage resulting from their activities.

Lien: An attachment, voluntary or involuntary. A lender will apply a lien to encumber real or personal property. The lien can be granted by an abstract judgment rendered by a court of law.

Life Cycle Costing (LCC): A systematic process of evaluating the life-cycle costs of a product, product line, process, system, or facility by identifying life-cycle consequences and assigning monetary values to those consequences. Also called Life Cycle Cost Assessment (LCCA).

Life-Cycle Assessment/Analysis (LCA): A holistic approach to identifying the environmental consequences of a product, process, or activity through its entire life cycle and to identifying opportunities for achieving environmental improvements. EPA specifies four major stages in a life-cycle of a product, process, or activity: raw materials acquisition, manufacturing, consumer use/reuse maintenance, and recycle/waste management. LCA focuses on environmental impacts not costs.

Limited-Tax General Obligation Bond: A general obligation bond that is limited as to revenue sources.

Long-Term Debt: Debt that is payable more than one year from the date it was incurred.

MACRS: The Modified Accelerated Cost Recovery System (MACRS) is the current tax depreciation system in the United States. Under this system, the capitalized cost (basis) of tangible property is recovered over a specified life by annual deductions for depreciation. The lives are specified broadly in the Internal Revenue Code. The Internal Revenue Service (IRS) publishes detailed tables of lives by classes of assets. The deduction for depreciation is computed under one of two methods (declining balance switching to straight line or straight line) at the election of the taxpayer, with limitations.[1] See IRS Publication 946 for a 120 page guide to MACRS.

Moral Obligation Bond: A state or municipal bond that is not backed by the full faith and credit of the issuer. The issuer of a moral obligation bond asserts the intent of the legislative body to make appropriations sufficient to cure any deficiency in monies required to meet debt service, but the issuer has no legally enforceable obligation to do so.

Municipal Bond: A debt obligation issued by a state, state agency or authority, or a political subdivision, such as county, city, town or village. They may be issued for general governmental needs or special projects. Issuance must be approved by referendum or by an electoral body.

Municipal Bond Insurance: Insurance policies that protect investors if a municipal bond should default–the bonds will be purchased from investors at par. The insurance may either be purchased by the issuer or the investor. Two major insurers of municipal bonds are the Ambac Indemnity Corporation and the Municipal Bond Insurance Association (MBIA). Insured municipal bonds usually have the highest ratings. Subsequently, the bond’s marketability increases, which lowers the costs to their issuers. However, the yield on an insured bond is usually lower than similarly rated uninsured bonds–the cost of the insurance is passed on to the investor. To obtain the extra degree of safety, many investors do not care if the yields are slightly lower.

Municipal Improvement Certificates: Certificates issued in lieu of bonds for the financing of special improvements. As a result, these certificates are placed in the contractor’s hands for collection from the special assessment payers.

Municipal Lease: A lease designed to meet the special needs of state and local governments. The lease contains a non-appropriation clause which states that the only condition under which the entity may be released from its payment obligations is when the legislature or funding authority fails to appropriate funds. Since the lessee is a municipality or an organization supporting the government, it is exempt from paying federal income taxes. For this reason, the IRS does not charge the leaser income taxes on leases to these customers.

Non-Transient, Non-Community Water System: A water system which supplies water to 25 or more of the same people at least six months per year in places other than their residences. Some examples are schools, factories, office buildings, and hospitals which have their own water systems.

Operating Costs: Costs that are directly related to rendering of services, sale of merchandise, production and disposition of commodities, collection of revenues, and other ongoing activities.

Operating Lease: A lease which is treated as a true lease (as opposed to a loan) for book accounting purposes. As defined in FASB 13, an operating lease must have all of the following characteristics.

- lease term is less than 75% of estimated economic life of the equipment
- present value of lease payment is less than 90% of the equipment's fair market value
- lease cannot contain a bargain purchase option (i.e., less than the fair market value)
- ownership is retained by the leaser during and after the lease term.

An operating lease is accounted for by the lessee without showing an asset (for the equipment) or a liability (for the lease payment obligations) on his balance sheet. Periodic payments are accounted for by the lessee as operating expenses of the period.

Original Issue Discount (OID): When a long-term debt instrument is issued at a price that is lower than its stated redemption value, the difference is called Original Issue Discount (OID).

Payment-in-Kind (PIK) Bond: A bond that gives the issuer an option (during an initial period) either to make coupon payments in cash or to give the bondholder a similar bond.

Prime Rate: The interest rate banks charge their best customers.

Privatization (Public-Private Partnership): Under a public-private partnership, sometimes referred to as a joint venture, a contractual arrangement is firmed between public and private-sector partners that can include a variety of activities that involve the private sector in the development, financing, ownership, and operation of a public facility or service. It typically includes infrastructure projects and/or facilities. In such a partnership, public and private resources are pooled and responsibilities divided so that the partners' efforts complement one another. Typically, each partner shares in income resulting from the partnership in direct proportion to the contracting in that the private-sector partner usually makes a substantial cash, at-risk, equity investment in the project, and the public sector gains access to new revenue or service delivery capacity without having to pay the private-sector partner. Leasing arrangements can be used to facilitate public-private partnerships.

Private Placement: The sale of stock in a company directly to a pre-selected buyer, often an institutional investor.

Public-Private Partnership: These partnerships involve a variety of techniques and activities to promote more sector involvement in providing traditional government services. They can include involving a private partner in construction, financing, operation, and/or ownership of a facility.

Public Water System (PWS): Any water system which provides water to at least 25 people for at least 60 days annually. There is more than 170,000 PWSs providing water from wells, rivers and other sources to about 250 million Americans. The others drink water from private wells. There are differing standards for PWSs of different sizes and types.

Ratings: Credit quality evaluation of bonds and notes made by independent rating services and brokerage firm analysts. Generally, a higher bond rating lowers the interest rate expected by debtors for repayment, and therefore overall capital costs. State and local governments can improve their bond ratings by using credit enhancement mechanisms.

Recourse: A type of borrowing in which the borrower (as a leaser funding a lease) is fully at risk to the lender for repayment of the obligation. The recourse borrower (leaser) is required to make payments to the lender whether or not the lessee fulfills its obligation under the lease agreement.

Refunded Bonds: Also called a pre-refunded bond, one that originally may have been issued as a general obligation or revenue bond but that is now secured by an "escrow fund" consisting entirely of direct US Government obligations that are sufficient for paying the bondholders.

Return On Assets (ROA): A common measure of profitability based upon the amount of assets invested; ROA is equal to the ratio of either 1) net income to total assets or 2) net income available to common stockholders to total assets.

Return On Equity (ROE): A measure of profitability related to the amount of invested equity; ROE is equal to the ratio of either 1) net income to owner's equity or 2) net income available to common stockholders to common equity.

Revenue Anticipation Notes (RANs): Notes issued in anticipation of non-tax revenues, generally from other governmental entities (i.e., state aid to a school district).

Revenue Base: The revenue base is the value of the product, income, property, or the number of population against which a fee or tax is charged. For example, the revenue base for a state tax per ton of fertilizer sold would be the tons of fertilizer sold in the state, while the revenue base for a motor vehicle license fee would be the number of vehicles licensed in the state. The size and characteristics of the revenue base, along with the rate of the fee or tax, determine the revenue potential of fee and tax programs.

Revenue Bonds: Bonds whose principal and interest are payable exclusively from earnings of a public enterprise.

Revenue Potential: A measure of the amount of money that can be raised by a particular financing mechanism. For fee and tax programs, revenue potential is a function of the rate of the fee or tax and the size of the revenue base. State and local governments need to consider the revenue potential of an AFM in their jurisdiction in order to determine if it meets their financing needs.

Revenue Stability: Revenue stability refers to the pattern of revenues from a particular revenue source. Some sources provide revenues in stable amounts annually. Other revenue sources are unstable, providing only one-time or erratic revenues from year to year. State and local governments should match ongoing program costs to stable revenue sources, while non-recurring costs can be matched to less stable revenue sources.

Revolving Fund: A revolving loan fund program may consist of several accounts or revolving funds that make loans or other types of assistance available for various projects. Typically, the fund is initially capitalized by appropriations, grants, or other monies. After the initial loans are made, future loans are supported by repayments, making the fund "revolving."

Serial Bonds: Bonds whose principal is repaid in periodic installments over the life of the issue. Corporate bonds arranged so that specified principal amounts become due on specified dates. Related: Term Bonds.

Sole Proprietorship: A sole proprietorship is a form of business organization. The distinguishing characteristics of this form are only one owner for the business and the business is unincorporated.

Special Annuity Bonds: Serial bonds in which annual installments of bond principal are arranged so that the combined payments for principal and interest are approximately the same each year.

Special Assessment: A charge imposed against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

Special Assessment Bonds: Bonds payable from the proceeds of assessments imposed against properties which have been specially benefited by the construction of public improvements.

Special Assessment Fund: A fund used to account for the financing of public improvements or services deemed to benefit primarily the properties against which special assessments are levied.

Special Districts: An independent unit of local government organized to perform a single governmental function or a limited number of related functions. A single purpose or local taxing district can be organized for a special purpose such as a road, sewer, irrigation or fire district. Special districts usually have the power to incur debt and levy taxes.

Special District Bonds: Bonds issued by a special district.

Special Tax Bond: A bond that is secured by a special tax, such as a liquor tax.

Straight Line Method: A way to figure depreciation for property that ratably deducts the same amount for each year in the recovery period. The rate (in percentage terms) is determined by dividing 1 by the number of years in the recovery period.

Subordinated Debenture Bond: An unsecured bond that ranks after secured debt, after debenture bonds, and often after some general creditors in it claim on assets and earnings. Related: Debenture Bond, Mortgage Bond, Collateral Trust Bonds.

Sustainable Development: The concept of using resources in an ecologically sound manner so that they will be sustainable over the long term. Put another way by the Executive Secretary of the UN Economic and Social Commission for Asia and the Pacific, it is "an approach to progress that meets the needs of the present without compromising the ability of future generations to meet their needs."

Tax: A tax is generally a charge against sales, income or property. Unlike fees, most jurisdictions do not require that there be a direct relationship between a tax and the use of funds.

Tax Anticipation Notes (TANs): Short-term debt that will be retired with taxes to be collected at a later date.

Tax Base: See revenue base.

Tax Increment Financing: The dedication of incremental increases in real estate taxes to repay an original investment in improved public facilities that created increased real estate values.

Term Bonds: Often referred to as bullet-maturity bonds or simply bullet bonds, bonds whose principal is payable at maturity. Related: Serial Bonds.

Term Interest: A life interest in property, an interest in property for a term of years, or an income interest in a trust. It generally refers to a present or future interest in income from property or the right to use property which terminates or fails upon the lapse of time, the occurrence of an event or the failure of an event to occur.

Transient, Non-Community Water System: A system which provides water in a place such as a gas station or campground where people do not remain for long time periods. These systems do not have to test or treat their water for contaminants which pose long-term health risks because fewer than 25 people drink the water over a long period. They still must test for microbes and several chemicals.

Trust Fund: Funds created by State and local governments to receive revenues generated by a tax or other mechanism, and disburse funds for the purposes for which the revenues are collected.

Unadjusted Depreciable Basis: The basis of an item of property for purposes of figuring gain on a sale without taking into account any depreciation taken in earlier years but with adjustments for amortization, the section 179 deduction, any deduction claimed for clean-fuel vehicles or clean-fuel vehicle refueling property, and any electric vehicle credit.

Useful Life: An estimate of how long an item of property can be expected to be usable in trade or business or to produce income. Under MACRS, you recover the cost of property over a set period. The recovery period is based on your property's property class. Your property's class is usually determined by its class life. The class life for most property is set and listed in IRS Appendix B.

User Fees: User fees require those who use a government service to pay some or all of the cost of the service, rather than having the government pay for it through revenues generated by taxes. The fees charged for entry into public parks are an example of a user fee.

Value: A term which defines the worth of an object or item. Value is usually preceded by a word(s), such as Fair or Fair Market, and defined in the document where found. Not all value for an item is the same.

Working Capital: The cash available to a company for the ongoing operations of the business.

Zero-Coupon Bonds: Zero-coupon bonds are bonds priced at a large discount from face value. The bonds mature at full face value so the difference between the original issue price and the face value represents interest income. The issuer of the zero coupon bond saves on cash flow since the interest isn't paid out until the end of the bond holding period.

The "Glossary of Financial Terms" was excerpted from:
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