

ACCOUNTING DICTIONARY

accumulated deficit – is a subset of debt; the total of all present and past financial activities; deficit means that expenses exceed revenue; means the government has been financing annual operations by using savings and/or borrowing.

accumulated surplus – the total of all present and past financial activities; surplus means that revenue exceeds expenses; is a representation of all financial and physical resources the government has available to provide future services; can be categorized into unrestricted surplus, restricted surplus or equity in tangible capital assets.

amortization – also known as depreciation; process of allocating a portion of the total cost of a capital asset over its useful life.

annual surplus – also known as surplus; revenues raised in the year were more than sufficient to cover the year's expenses, which include the use of existing and implementing new assets; if revenues equal expenses such that annual results are \$0, then the government has maintained its net assets.

asset management – a systematic and effective process of deploying, operating, maintaining, upgrading and disposing of assets.

assets – has two main categories being **financial assets** and **non-financial assets**.

balanced municipal budget – a requirement of the MGA is that every municipality must be at least sufficient to pay for the estimated expenses and transfers or have a plan to repay any financial shortfall. Ideally a municipality should plan to have a \$0 balanced budget; revenue and expenses must be equal, and expenses include the cost of existing and new capital assets.

budget – is created after the adoption of a financial plan, which has the two components being an operating budget and capital budget. One or more years within a financial plan can be adopted into a budget and for any remaining years that are not adopted, these years are accepted for information. A budget is used to as the basis for calculating the tax rate bylaw.

budget adjustments –modifications made to a budget that meet certain conditions and are presented to Council at specified timeframes during the multi-year budget cycle.

capital asset – is a single asset that has the characteristics of a useful life greater than year and the cost is greater than \$5,000.

capital assets – contains more than one capital asset, is a group of capital assets; also known as fixed assets or non-financial assets or physical assets or tangible capital assets; samples are equipment, infrastructure, and property.

capital budget – includes purchase of all capital assets and funding sources. MGA 245 section requires each council to adopt a capital budget for each calendar year. A capital budget is created once a capital financial plan has been adopted by council resolution. Council can adopt the next year or multiple years in a financial plan.

capital plan – includes the purchase of all capital assets and their related funding sources. MGA 245 requires each council to adopt a capital budget for each calendar year. A financial plan becomes a budget after it has been adopted by council resolution. The forecasts for the years of the capital plan which are not adopted by council are accepted for information.

carry forward – transfer of a balance to the next page, column, year, and so on.

contributed asset – also known as donated asset or a gifted asset; an asset constructed by another party (typically a developer) that is transferred to the municipality to own and maintain.

cost of living adjustment (COLA) – related to salaries, an adjustment based on changes in a consumer price index (CPI) to ensure salaries keep pace with inflation.

debt – combination of accumulated deficits and/or borrowing for assets.

debt limit – requirement of the MGA that no municipality may make a borrowing if the borrowing will cause the municipality to exceed its debt limit, unless the borrowing is approved by the Minister; calculation for the maximum debt limit is revenue times 1.5 factor, most recent audited financial statements are used to determine revenue, which must not include government transfers for capital projects nor contributed assets.

debt service limit – requirement of the MGA that no municipality may make a borrowing if the borrowing will cause the municipality to exceed its debt service limit, unless the borrowing is approved by the Minister; calculation for the maximum debt service limit is revenue times 0.25 factor, most recent audited financial statements are used to determine revenue, which must not include government transfers for capital projects nor contributed assets.

deficit – means that expenses exceed revenue in any given year; means the government has been financing annual operations by borrowing or reducing prior years accumulated surplus.

departmental business plans – a subset of the strategic plan; document used to make decisions on allocating resources; report that contains specific goals and objectives for each function within a department.

depreciation – also known as amortization; process of allocating the cost of an asset over its useful life.

donated asset – also known as contributed asset or gifted asset; an asset constructed by another party (typically a developer) that is transferred to the municipality to own and maintain.

equity in tangible capital assets – the difference between the purchase price of an asset or value of a contributed asset less its respective amortization and less any debt related to the asset.

financial assets – is also known as a liquid asset meaning how quickly can the asset convert to cash; examples are cash, accounts receivable and investments.

financial plan – an evaluation of current and future state by using currently known estimate of revenue and expenditures for a set period. Operating financial plan encompasses revenues and expenses. Capital financial plan encompasses assets and funding sources. MGA 242(1) requires each council to adopt an operating budget for each calendar year. MGA 245 requires each council to adopt a capital budget for each calendar year. A financial plan becomes a budget after it has been adopted by council resolution. The forecasts for the years in the operating or capital plan which are not adopted by Council are accepted for information.

financial plan adjustments – modifications made to a financial plan and are presented to Council at specified timeframes during the multi-year financial plan cycle.

fixed assets – also known as capital assets or non-financial assets or physical assets or tangible capital assets; samples are equipment, infrastructure, and property.

fixed assets – also known as assets, capital assets or physical assets; part of the assets category; refer to equipment, vehicles, infrastructure, and property.

gifted asset – also known as contributed asset or donated asset; an asset constructed by another party (typically a developer) that is transferred to the municipality to own and maintain.

growth-related component – related to tax assessment and is a subset of the total value of all of the real estate property in the municipality; refers to the increase in the number of new houses, multi-family dwellings, commercial, industrial and retail developments.

income – also known as revenue; the main sources of income for a municipality are developer fees, grants, licenses, permits and property taxes.

key performance indicators (KPIs) – also known as performance measures; analyzes the success of a work group, program or organization's efforts by comparing data on what actually occurred to what was planned or intended; provide information about critical aspects of activities; can be financial and/or operational in nature.

market comparator increase (MCI) – related to salaries, an adjustment to a position salary for municipal market comparability, where deemed necessary.

market-related component – related to tax assessment and is a subset of the total value of all of the real estate property in the municipality; refers to the change in market value of houses, multi-family dwellings, commercial, industrial and retail developments.

mill rate – also known as tax rate; mil is derived from the Latin word for one thousand (1,000); in tax term, one mill is equal to 1/1000 of a dollar; same as \$1 in tax for every one thousand dollars (\$1,000) of property value assessment.

movement through the range (MTR) – related to salaries, a performance-based incremental movement through a salary range. MTR increases are based on a combination of performance, tenure, and budget approval.

multi-year financial plan- grouping together several annual financial plan forecasts into one cycle: at present the City of Chestermere has a 4-year multi-year financial plan and this follows the election cycle.

Municipal Government Act (MGA) – is Alberta's second largest piece of legislation and touches the daily lives of all Albertans by defining how their municipalities are governed, funded, and developed (website www.municipalaffairs.alberta.ca)

operating budget – an estimate of revenue and expenditures for a set period. Operating budget encompasses revenues and expenses. MGA 242(1) requires each council to adopt an operating budget for each calendar year. A financial plan becomes a budget after it has been adopted by council resolution. The forecasts for the years in the operating plans which are not adopted by Council are accepted for information.

net assets – the difference between total assets and total liabilities, is the total value of what the City owns.

net debt – also called future revenue requirements; provides a measure of the future revenues required to pay for past transactions and events; calculated as the difference between cash and liquid assets less liabilities; difference between cash on hand and total debt;

an indicator of affordability of additional spending, is the total value of what the City owes to others.

non-financial assets – contains more than one capital asset, is a group of capital assets; also known as capital assets or fixed assets or physical assets or tangible capital assets; samples are equipment, infrastructure, and property.

performance measurements – also known as key performance indicators (KPIs); analyzes the success of a work group, program, or organization's efforts by comparing data on what actually occurred to what was planned or intended; provide information about critical aspects of activities; can be financial and/or operational in nature.

physical assets – also known as capital assets or fixed assets or non-financial assets or tangible capital assets; samples are equipment, infrastructure, and property.

property tax – also known as tax revenue; source of revenue for the municipality; the budget determines the amount of property tax to be raised, which is divided by the total value of all the real estate property in the municipality, this value is then divided by 1,000 to calculate the mill rate.

real estate property – includes houses, multi-family dwellings, commercial developments, industrial developments, retail developments and other such buildings.

restricted surplus – excess surplus or earnings that have been set aside for a specific purpose or project.

revenue – also known as income; the main sources of revenue for a municipality are developer fees, grants, licenses, permits and property taxes.

service level – describes, usually in measurable terms, the service provided to a customer; example how quickly after a snowstorm that streets must be cleaned

strategic plan – the process of defining the direction of an organization; document used to make decisions on allocating resources; control mechanism for guiding the implementation.

surplus – also known as annual surplus; revenues raised in the year were sufficient to cover the year's expenses, which include the use of existing and implementing new assets; if revenues equal expenses such that annual results are \$0, then the government has maintained its net assets.

surplus versus variance – surplus is a comparison of actual revenues against actual expenses resulting with excess revenue, while variance is comparison between budgeted revenue/expense against actual revenue/expense.

tangible capital assets – also known as capital assets or fixed assets or non-financial assets or physical assets; samples are equipment, infrastructure, and property.

tax assessment – also known as tax base; estimated value of all the real estate property located in the municipality and is used to determine the amount each property will pay for property taxes.

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tax rate – also known as mill rate; mil is derived from the Latin word for one thousand (1,000); in tax term, one mill is equal to 1/1000 of a dollar; same as \$1 in tax for every \$1,000 (one thousand dollars) of property value assessment.

tax revenue – also known as property tax revenue; source of revenue for the municipality; the budget determines the amount of property tax to be raised, which is divided by the total value of all of the real estate property in the municipality, this value is then divided by 1,000 to calculate the mill rate.

unrestricted surplus – excess surplus or earnings that have been set aside for unbudgeted purposes.

useful life – estimated lifespan of a depreciable fixed asset, during which it can be expected to contribute to operations.

variance – the difference between a budgeted or planned revenue/expense and the actual amount that was incurred; positive variance means the municipality has achieved a better financial outcome like actual revenues exceeded budgeted revenues or actual expenses were less than budgeted expenses; negative variance is the opposite result of a positive variance.