

Glossary

The following glossary was prepared for Council and staff to promote a common understanding of general terms and to ensure consistency in the interpretation of documents.

Accrual – The accrual basis of accounting recognizes revenues when they are earned and records expenses when they are incurred. This results in both revenues and expenses being recognized and recorded in the accounting period when they occur rather than when payments are actually received or made.

Accumulated Surplus / (Deficit) is an indicator in the Financial Statements that represents the financial affordability to provide future services. The accumulated surplus/(deficit) is made up of the amount of financial assets net of liabilities and non-financial assets, including tangible capital assets (T.C.A.). The accumulated surplus does not represent excess cash.

Activity – Departmental efforts that contribute to the achievement of a specific set of program objects; the smallest unit of the program budget.

Amortization is a non-cash expense, which recognizes the decline in value of a tangible capital asset due to usage, passage of time, wear and tear, exposure to elements, technological obsolescence or other such factors over its useful life. Also known as depreciation.

Annualize – Taking changes that occurred mid-year and calculating their cost for a full year for the purpose of preparing an annual budget.

Assessment is the value assigned by M.P.A.C. to each property in the City as a basis for property taxation.

Assessment Base Management is a series of steps taken to ensure the correctness of assessment values and to prevent the erosion of the Assessment Roll for the City. The process involves the municipality working with M.P.A.C., the property owners and all Stakeholders to ensure equity and timeliness in resolving assessment related issues.

Assets are economic resources controlled by local government as a result of past transactions or events and from which future economic benefits may be obtained.

Asset Management is a systematic process of making the best possible decisions regarding the commissioning, operating, maintaining, renewing, replacing and disposing of assets in a cost efficient manner.

Audited Financial Statements are statements containing information about an organization's financial results, financial condition, and cash flows. Included in the City's consolidated statements are the Oshawa Public Library, Central Business District Improvement Area, and the Oshawa Public Utilities Commission.

Balance Budget – A budget in which budgeted revenues are equal to budgeted expenditures, thus neither a budget deficit nor a budget surplus exists.

Benchmarking is an exercise whereby one organization's business processes and performance metrics are compared to those of organizations providing the same or similar services, based on similar methods of accounting for costs and industry best practices.

Bid Deposit is a security held by the City to ensure that the bidder will provide all documentation specified in the tender and enter into a contract with the City. Where applicable, the City requires a bid deposit of 10% of the bid amount.

Bid Solicitation includes requests for proposals, quotations or tenders.

Calendarization is the monthly allocation of the budget based on the projected timing of revenues and expenses.

Capital Assets – Assets of long-term character that are intended to be held or used, such as land, buildings, machinery, furniture and other equipment. These assets have a significant value and a useful life of several years. Capital assets are also called Fixed Assets.

Capital Budget - The appropriation of internal and external contributions for improvements, replacements and additions to facilities, infrastructure, and parks.

Capital Expenditure - Expenditures approved in the Capital Budget related to the acquisition, expansion or rehabilitation of an element of the City's Capital Assets.

Capital Project - Major construction, acquisition, or renovation activities that add value to the City's physical assets or significantly increase their useful life; also called Capital Improvements.

Capital Reserve - An account used to segregate a portion of the City's equity to be used for future capital budgets.

Commitments are reserve or reserve fund contributions/expenditures previously approved by Council for which various conditions have not caused the funds to be released.

Community Benefits Charges (C.B.C.) is a flexible new tool under the Planning Act that helps municipalities tackle the costs of higher density in communities with new developments. Municipalities can use the C.B.C. to fund capital costs of any public service associated with new growth, including parkland, if those costs are not already recovered from development charges or parkland provisions.

Consumer Price Index (C.P.I.) is an indicator of changes in consumer prices experienced by Canadians, obtained by comparing, through time, the costs of a fixed basket of commodities purchased by consumers.

Contingency - A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Contingent Liability is a potential liability that will become an actual liability if, and only if, certain events occur. Legal claims are an example of a contingent liability.

Continuous Improvement is a management process whereby services/programs are constantly evaluated using a variety of approaches and with strategic goals in mind.

Contributed Assets are capital assets that have been acquired by the City without cash outlay that will be valued at fair market value when the asset is placed into productive use. The most common contributed assets are road and road related infrastructure that is built by a developer and assumed by the City once the subdivision is complete.

Co-operative Purchasing refers to the participation of two or more governments or public agencies in a bid solicitation. The City of Oshawa is a member of the Durham Region Purchasing Co-operative and regularly participates in co-operative purchasing opportunities.

Debentures - a long term loan used as financing for major capital projects. Debentures are typically structured for a finite term (usually between 10 and 20 years) without flexibility to retire the debenture early. Debenture debt spreads the project cost and related tax rate increase over a number of years and ensures that future taxpayers pay their share of capital projects being completed today.

Debt Service - The cost of paying principal and interest on borrowed money according to a payment schedule.

Deferred Revenue is income received that will not be recorded as revenue until certain transactions or events take place. A common example of deferred revenue is development charges. This revenue is not recognized until the expense for which the charge was collected has occurred.

Development Charges a charge paid by developers to partially pay for the cost of new capital projects required as a result of growth (e.g., new roads, parks, trails, community centres, fire stations, etc.). Development charges do not cover the entire cost of a capital project, as legislation requires municipalities to fund a portion of most projects. In addition, certain growth-related capital expenditures are exempt from development charges and must be paid entirely by the municipality.

Durham Municipal Insurance Pool (D.M.I.P.) is comprised of seven of the area municipalities (including Oshawa) and the Region of Durham that have collaborated to manage the risks and place insurance coverage for its members collectively.

Employee Future Benefits (E.F.B.) are benefits earned by active employees and expected to be provided to them when they are no longer providing active service to the City. E.F.B. are non-pension retirement benefits for extended health care and life insurance, as well as payouts for accumulated sick days to eligible employees.

Expenditures are the disbursement of funds to purchase goods and/or services.

Expenses are the cost of economic resources consumed in the business operations of an accounting period.

External Auditor is an audit professional who plans and performs an audit. The objective of an audit, among other things, is to:

- determine whether the accounting records are accurate and complete;
- determine whether the financial statements were prepared in accordance with the provisions of Generally Accepted Accounting Principles and the Public Sector Accounting Board Standards;
- assess internal control systems; and,
- determine whether the financial statements present fairly, the organization's financial position, and the results of its financial operations.

Fiscal Year - A twelve-month period designated as the operating year for accounting and budgeting purposes in an organization.

Full Accrual Basis of Accounting recognizes the financial effects of transactions in the period(s) in which they occur irrespective of when the monies have been received or paid. For example, it requires that tangible capital assets be reported on the balance sheet (statement of financial position) at historical cost and expensed (amortized) in the annual results of operations over their estimated useful lives.

Full Time Equivalent (F.T.E.) is a measure of staffing, which is equivalent to that produced by one person working full-time for one year.

General Levy (sometimes referred to as the Tax Levy) is the total of all expenditures funded by property taxes.

Generally Accepted Accounting Principles (G.A.A.P.) are broad rules adopted by the accounting profession as guides in measuring, recording, and reporting the financial affairs and activities of a business.

Grants - a contribution by a City or other organization to support a particular function, or endeavour. Grants can be either operational or capital.

Gross is the total amount prior to any deduction or discount.

Growth Related - a capital project is categorized as growth related if it supports growth and development across the City. Development charge revenues could potentially be used to fund part of these projects.

Infrastructure is the fundamental facilities and systems necessary for the continuance and growth of the City, including roads, parks and other systems.

Internal Audit Function is an internal staff member or a contracted resource that conducts operational, compliance and/or value-for-money reviews to:

- evaluate the risk management, governance and internal control processes of the City;
- assist with increasing efficiency and effectiveness of operations; and,
- detect risk areas that could include the potential for fraud or other misappropriations of City assets.

Internal Control Systems are procedures adopted by an organization to encourage adherence to prescribed managerial policies or regulatory compliance, to safeguard its assets from waste, fraud, and theft, and to address the risks of intentional or unintentional misstatements in the financial statements.

Internal debt or Interfund Note (I.F.N.) is a borrowing from surplus cash flow, often for the financing of capital projects. The funds are repaid through the annual operating budget which incorporates both a principal and an interest payment.

Levy - To impose taxes to fund City services.

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

M.P.A.C. is the Municipal Property Assessment Corporation, an independent corporation whose role is to accurately assess and classify all properties in Ontario in compliance with the Assessment Act.

Net is the amount remaining after all deductions from, or adjustments to, a gross figure have been made.

Net Book Value (N.B.V.) of a tangible capital asset is its cost, less accumulated amortization and the amount of any write-downs. The N.B.V. represents the economic value of the asset to the organization in the current fiscal period.

Operating Expenditures - The cost of personnel, materials and equipment associated with the City's day-to-day operation.

Operating Revenues - Funds that the City receives as income to pay for its day-to-day operation, including taxes, fees from specific services, interest earnings, and grant revenues.

Prepaid Expenses are amounts that are paid to a vendor in advance, for a good or service that will be consumed or performed in the future. The prepayment is accounted for as an operating expense in the accounting period when the good is consumed or the service has been performed.

Pre-qualification is a formal procedure whereby a bidder satisfies the City that it is capable of performing the work before it is allowed to submit a tender or proposal.

Professional and Consulting Services includes the services provided by professionals including but not limited to architects, engineers, designers, real estate appraisers, financial consultants, lawyers.

Public-Private Partnerships (P.P.P.) are a long-term performance-based approach to procuring public infrastructure where the private sector assumes a major share of the risks in terms of financing and construction and ensuring effective performance of the infrastructure, from design and planning, to long-term maintenance. It is also referred to as P3s.

Public Sector Accounting Board (P.S.A.B.) is the independent body of the Canadian Institute of Chartered Accountants (C.I.C.A.) that serves the public interest by setting standards and providing guidance for the reporting of financial and other performance information by the public sector.

Request for Expression of Interest (R.F.E.O.I.) - Expression of Interest (E.O.I.) is a multi-staged process. An E.O.I. is used to shortlist potential suppliers before seeking detailed bids from the shortlisted bidders. An R.F.E.O.I. is generally used when the information required from bidders is specific but the City is unsure of the capability of suppliers to provide the required goods and services.

Request for Proposal (R.F.P.) is a form of bid solicitation where the City is looking for a solution to a particular situation and multiple solutions may exist. Price is not the overriding consideration for award, but one of several factors, including qualitative and technical factors. R.F.P. is always a sealed bid process.

Request for Quotation (R.F.Q.) is a form of bid solicitation that is based on precisely defined requirements for which a clear or single solution exists and is generally for low dollar value (less than \$100,000). The contract is awarded to the lowest priced bidder that satisfies the specifications and requirements of the quotation.

Request for Tender (R.F.T.) is an objective, open and transparent form of bid solicitation that is utilized for obtaining competitive bids based on precisely defined requirements for which a clear or single solution exists and is generally for high dollar value (greater than \$100,000). The contract is awarded to the lowest priced bidder that satisfies the specifications and requirements of the quotation. R.F.T. is always a sealed bid process.

Reserves/Reserve Funds are monies set aside for specific purposes, including both operating and capital budget items. There are two main types of reserves/reserve funds:

- Non-discretionary/Statutory/Obligatory - municipalities are required by legislation, municipal by-law or agreement to establish certain reserve funds (e.g. Development Charges, Canada Community-Building Fund);
- Discretionary - can be established by Council for a specific purpose (e.g. vehicle/equipment replacement, municipal elections, tax appeal reserve, winter reserve).

Revenue is the income of the City from all sources appropriated for the payment of public expenses. The City's main revenue sources include taxation, user fees for the sale of goods/services, interest, dividends, grants and donations.

Salary Savings represents the savings that will be achieved as a result of known vacancies which will not be filled immediately.

Single Sourcing is the procurement of goods and/or services from a particular supplier rather than through a bid solicitation from multiple suppliers who can provide same/similar goods and/or services.

Sole Sourcing is the procurement of goods and/or services that are unique to a particular supplier and cannot be obtained from another supplier.

Surety is a security held by the City to guarantee completion of a contract and is generally in the form of a performance bond or a letter of credit.

Tangible Capital Assets (T.C.A.) are non-financial assets having physical substance that are acquired, constructed or developed and:

- are held for use in the production or supply of goods and services;
- have useful economic lives extending beyond one accounting period;
- are to be used on a continuing basis; and,
- are not for sale in the ordinary course of operations.

Tax Levy - The total amount to be raised through general property taxes.

Taxes - Compulsory charges levied by the City for the purpose of financing services performed for the common benefit of its citizens.

Unsolicited Proposal is an offer from a supplier for the provision of goods and/or services for the purpose of obtaining a contract with the City, and is not in response to a request for proposal.

Work-in-progress is defined as assets under construction or development that are not yet in-service. Upon completion, these assets will be recorded as an in-service asset in their proper category and will be amortized over their useful life.

Working Capital is the excess of current assets minus current liabilities. Positive working capital indicates an ability to meet short-term obligations.