

## **Glossary**

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# **CTAS User Manual Glossary**

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**ACCOUNT** - A grouping of transactions which have similar characteristics. Taxes would be an example of a revenue account.

**ACCOUNT NUMBER** - A five-digit number used to identify the source of the revenue or function of the expenditure.

**ACCOUNTING SYSTEM** - A complete set of records and procedures which are used to record, classify, and report information on the financial condition and operations of an entity.

**ACCOUNTS PAYABLE** - A liability account reflecting (an) amount(s) on open account owed to private person(s) or organization(s), for goods or services received by a government entity.

**ACCOUNTS RECEIVABLE** - Amounts owing on open account from private persons or organizations for goods or services provided by a government entity.

**ACCRUAL BASIS OF ACCOUNTING** - The method of accounting under which revenues are recorded when they are earned (whether or not cash is received at that time) and expenditures are recorded when goods or services are received (whether cash is paid at that time or not). The accrual method of accounting is used for proprietary (enterprise) funds such as water or sewer, municipal liquor stores, and similar self-supporting entities.

**ACTIVITY** - A specific and distinguishable unit of work or service performed for the purpose of accomplishing a function for which a government entity is responsible.

**BOND** - A written promise to pay a specified sum of money (principal or face value) at a specified future date (maturity date) along with periodic interest paid at a specified percentage of principal (interest rate). Bonds are long-term debt.

**BUDGET** - A plan of financial operation estimating proposed expenditures and the means of financing them, usually for a single year.

**CAPITAL OUTLAY** - These expenditures include the purchase, construction, or permanent improvements of buildings, equipment, machinery, and land. Capital outlay varies from year to year based on the needs and resources of the entity.

**CAPITAL PROJECTS FUND** - A fund created to account for the financial resources that are used for the acquisition or construction of a fixed asset.

**CASH BASIS OF ACCOUNTING** - A basis of accounting under which transactions are recognized only when cash changes hands.

**CHARGES FOR SERVICES** - These revenues reflect fees for activities of the governmental funds. These include rent of town hall by individuals or organizations, police and fire contracts, fire calls, recreation fees, park dedication fees, etc.

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**CHART OF ACCOUNTS** - A system of numbering accounts, entries, claims, disbursements and receipts so that the symbol used reveals certain required information.

**CLAIM** - An itemization and declaration of a claim or demand against the city or town, requesting payment for goods or services, stating under the penalties of law that the claim or demand is just and correct and not previously paid. Claims are covered under Minn. Stat. § 471.38 - 471.41 (charter cities and towns) and Minn. Stat. § 412.271 (statutory cities).

**CSV (COMMA-SEPARATED VALUES)** - A file format used to store tabular data in which numbers and text are stored in plain textual form that can be read in a text editor. For example, a CSV file might be used to transfer information from a database program to a spreadsheet.

**DEBT SERVICE EXPENDITURES** - These expenditures reflect the annual costs of servicing the outstanding debt of the local government. These costs include principal, interest, and some fiscal charges.

**DEBT SERVICE FUND** - A fund to account for the collection of resources and payment of principal and interest from long-term debt.

**DISBURSEMENTS** - Funds paid out.

**DISBURSEMENTS REGISTER** - A chronological or consecutive record of funds paid out, entered from the claims at the time the claim and order is prepared.

**ENTERPRISE FUND** - A fund established to account for operations financed and operated in a manner similar to private business. Examples include water, sewer, and electric utilities. The expenses of providing services are primarily financed by user charges.

**EXPENDITURES** - Where accounts are kept on the cash basis, expenditures are recognized only when cash payments are made (cash disbursements). Where the modified accrual basis of accounting is used, the cost of the goods received or services rendered are recognized as expenditures, whether cash payments have been made or not.

**FINANCIAL STATEMENTS** - Summary statements of financial resources or cash flows prepared at the end of an accounting period from the ledgers (balance sheets; statements of revenues, expenditures, and changes in fund balances; or statements of cash receipts and disbursements).

**FRANCHISE TAXES** - These revenues reflect proceeds from taxes imposed on public utilities, usually involving elements of a monopoly (e.g., electric utilities, gas utilities, and cable TV), for use of public property.

**FUNCTIONAL CLASSIFICATION** - Expenditure classification according to the principal purposes for which expenditures are made. Examples are public safety and streets and highways (road and bridge).

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**FUND** - An accounting entity with a self-balancing set of accounts recording all financial transactions for specific activities which are segregated in accordance with special regulations, restrictions, or laws. Examples include the general fund, library fund, road and bridge, and debt service.

**FUND BALANCE** - The difference between the assets and liabilities reported in a governmental fund.

**GENERAL FUND** - The fund used to account for all financial resources not required to be accounted for in another fund. This fund is the main operating fund.

**GENERAL OBLIGATION BONDS** - Bonds that are backed by the full faith and credit (taxing authority) of the issuing government.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)** - Uniform minimum standards and guidelines covering financial accounting and reporting. GAAP encompass the conventions, rules, and procedures defining accepted accounting practice at a particular time. GAAP provide a standard for financial statement presentation. The primary authoritative body for applying GAAP to state and local government is the Governmental Accounting Standards Board (GASB) through its publications, as well as those of its predecessors.

**GENERAL GOVERNMENT EXPENDITURES** - These expenditures reflect the costs associated with running a local government, such as the town council, administration, finance, and elections. Expenditures in this category include salaries, wages, and benefits of legislative, judicial, and administrative personnel; supplies; and town hall maintenance.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** - The national organization that establishes accounting and financial reporting standards for state and local governments in the United States. The standards set by the GASB are the Generally Accepted Accounting Principles (GAAP).

**GOVERNMENTAL FUND TYPES** - Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

**INTERGOVERNMENTAL REVENUES** - Revenues from other governments in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

**INTERIM FINANCIAL STATEMENTS** - A financial statement prepared before the end of the current fiscal year and covering only financial transactions for the current year to date.

**INTERNAL CONTROL** - A plan of an organization for purchasing, accounting, and other financial activities. Internal controls include the segregation of duties, so that no single employee handles a financial transaction from beginning to end; proper authorizations from responsible officials before key steps in processing transactions are completed; and records and procedures arranged appropriately to facilitate effective control.

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**INVOICE** - A detailed list of goods shipped or services rendered with an accounting of all costs. A bill.

**LEDGER** - A group of accounts in which financial transactions of the entity are recorded.

**LIABILITIES** - Debt or other obligations which must be paid at some future date.

**MODIFIED ACCRUAL BASIS OF ACCOUNTING** - The basis of accounting under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues which should be accrued to reflect taxes levied and revenues earned.

**NET INCOME** - A term used in accounting for enterprise funds. The difference calculated by taking revenues and subtracting the expenses, including depreciation, and interest payments.

**NONOPERATING EXPENSES** - Expenses incurred that are not directly related to the supplying of the basic service of an enterprise fund.

**NONOPERATING REVENUES** - Revenues of the enterprise fund which are not derived from the basic operations.

**OBJECT CODE** - Object of expenditure classification is based on the categories of goods and services purchased. Objects of expenditure include personal services (salaries and wages), contracted services, supplies and materials, and capital outlays.

**OPERATING BUDGET** - Plans for current expenditures and the proposed means of financing them. The annual operating budget is the means by which most acquisition, spending, and services of a government are controlled. Even where not required by law, annual operating budgets are essential to sound financial management and should be adopted.

**OPERATING EXPENSES** - The operating expenses are the costs necessary to the maintenance and operation of the enterprise fund.

**OPERATING REVENUES** - Revenues derived from the operation of an enterprise.

**ORDER-CHECK** - An order-check is the method used for disbursing funds in cities and towns in Minnesota. The order is drawn upon the treasurer by the mayor (chair) and clerk. When signed by the treasurer, it becomes a check. All disbursements of city funds shall be made by an order drawn by the mayor and clerk upon the treasurer, under Minn. Stat. § 412.271. Town order-checks are covered under Minn. Stat. § 367.18.

**OTHER FINANCING SOURCES** - These include long-term debt proceeds, sale of fixed assets, and transfers from other funds.

**OTHER FINANCING USES** - These include transfers to other funds, refunding bond proceeds deposited with escrow agent and invested until they are used to pay principal and interest on the old debt at a future time, and remittance to other agencies.

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**OUTSTANDING LONG-TERM DEBT** - This category refers to the long-term debt that a local government has incurred to finance its capital projects. Examples of long-term debt include various types of bonds and other obligations such as notes and long-term leases.

**PARKS AND RECREATION** - These expenditures reflect park maintenance, mowing, planting, and removal of trees. Recreation expenditures include festivals, bands, museums, community centers, cable TV, baseball fields, organized recreation activities, etc.

**PDF (PORTABLE DOCUMENT FORMAT)** - An open standard for document exchange. This file format is used for representing documents in a manner independent of application software, hardware, and operating systems.

**PUBLIC SAFETY EXPENDITURES** - These expenditures reflect the costs related to the protection of persons and property.

**RECEIPTS** - Funds received.

**RECEIPTS REGISTER** - A chronological or consecutive record of cash received, entered from the receipt form on a daily basis.

**REVENUE** - An increase to a fund's assets which does not increase a liability, does not repay a previous expenditure, does not cancel certain liabilities and does not increase contributed capital.

**REVENUE BUDGET** - The planned sources of revenue for funding the expenditures in a budget. See Budget (page 1) and Operating Budget (page 4).

**SHORT-TERM DEBT** - Debt with a maturity of one year or less after the issue date.

**SOURCE OF REVENUE** - Revenues are classified according to their source or point of origin. Examples are state or federal grants, taxes, and charges for services.

**SPECIAL ASSESSMENTS** - These revenues refer to levies made against certain properties to defray all or part of the costs of a specific improvement, such as new sewer and water mains, deemed to benefit primarily those properties. The amount includes the penalties and interest paid on the assessments.

**SPECIAL REVENUE FUNDS** - A fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specific purpose.

**STATEMENT** - A monthly abstract or report by a vendor recapping invoices issued, payments received, and balance due for an account for goods or services provided to a city or town.

**TAX INCREMENTS** - These revenues are what cities generate when they establish tax increment financing (TIF) districts. In a TIF district, the increase in property tax revenues in the redeveloped area are used to pay the costs of development and redevelopment in the district rather than the general services of the city, county, and school district.

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**VENDOR** - A business or individual who provides goods or services to an entity, and bills for their services when the goods have been delivered, or when the services are completed.

**YEAR-END FINANCIAL STATEMENT** - Financial statement prepared at the end of an accounting period (year-end) after the books have been closed for that period. It is an important document summarizing the transactions for the accounting period, for use by the elected officials, the city management, and the public.