



Municipal Glossary

Municipal Data Management and Technical Assistance Bureau

February 2003

Glossary of Financial Terms

Abatement -- A reduction or elimination of a real or personal property tax, motor vehicle excise, a fee, charge, or special assessment imposed by a governmental unit. Granted only on application of the person seeking the abatement and only by the committing governmental unit. (See Commitment).

Accounting System -- The total structure of records and procedures that identify, record, classify, and report information on the financial position and operations of a governmental unit or any of its funds, account groups, and organizational components.

Accrued Interest -- The amount of interest that has accumulated on the bond since the date of the last interest payment, and in the sale of a bond, the amount accrued up to but not including the date of delivery (settlement date). (See Interest).

Ad Valorem -- A Latin phrase meaning according to the value. For example, the property tax is an Ad Valorem tax because it is based on the full and fair cash value (FFCV) of the real or personal property. (See Assessed Value).

Additional Assistance -- This state aid program provides unrestricted, general fund revenue to a certain number of communities through the Cherry Sheet. Additional Assistance evolved from the old resolution aid formula of the 1980s, but following state budget cuts, it was level funded beginning in FY92 and then subsequently reduced.

Advance Refunding of Debt -- This occurs when new debt is issued to replace or redeem old debt before the maturity or call date of the old debt. Under these circumstances, the proceeds of the new debt must be placed in escrow and used to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. (See also Refunding of Debt, Current Refunding of Debt)

Agency Fund -- This is a type of fiduciary fund used to retain money in a purely custodial capacity by a governmental unit. Agency funds

generally involve only the receipt, temporary investment, and periodic transfer of money to fulfill legal obligations to individuals, private organizations, or other governments. For example, certain employee payroll withholdings typically accumulate in an agency fund until due and forwarded to the federal government, health care provider, and so forth

Amortization -- The gradual repayment of an obligation over time and in accordance with a pre-determined payment schedule.

Appellate Tax Board (ATB) -- Appointed by the governor, the ATB has jurisdiction to decide appeals from local decisions relating to property taxes, motor vehicle excises, state owned land (SOL) valuations, exemption eligibility, property classification, and equalized valuations.

Appropriation -- An authorization granted by a town meeting, city council or other legislative body to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended. (See Encumbrance, Line-Item Transfer, Free Cash)

Arbitrage -- As applied to municipal debt, the investment of tax-exempt bonds or note proceeds in higher yielding, taxable securities. Section 103 of the Internal Revenue Service (IRS) Code restricts this practice and requires (beyond certain limits) that earnings be rebated (paid) to the IRS.

Arbitrage Certificate -- A certified statement requested by bond or note purchasers, and by law firms serving as bond counsel in Massachusetts that borrowing proceeds of a specified bond issue shall not be used for the purposes of arbitrage.

Arm's Length Sale -- A transfer of property ownership between a willing seller not under compulsion to sell and a willing buyer not under compulsion to buy. The sale price is the amount of money, or its equivalent, that probably would be arrived at through fair negotiations taking into consideration the uses to which the property may be put and allowing a reasonable time for exposure to the market.

Assessment date -- The date property tax liability is fixed. In Massachusetts, property taxes are assessed as of the January 1 prior to the fiscal year. Assessors determine the physical status of taxable real and personal property, its ownership, fair cash value and usage classification as of that date. By local option (MGL Ch. 59 §2A9a), the physical status of real property on June 30 is deemed to be its condition on the previous January 1.

Assessment Sale Ratio (ASR) -- Property assessed value divided by sales price. Expresses the relationship between the assessed value of a sold property and the most recent sales price of the property. The ASR is instrumental in the triennial certification of municipal property values by BLA.

Assessed Valuation -- A value assigned to real estate or other property by a government as the basis for levying taxes. In Massachusetts, assessed valuation is based on the property's full and fair cash value as set by the Assessors. (See Ad Valorem; Full And Fair Cash Value).

Audit -- An examination of a community's financial systems, procedures, and data by a certified public accountant (independent auditor), and a report on the fairness of financial statements and on local compliance with statutes and regulations. The audit serves as a valuable management tool for evaluating the fiscal performance of a community.

Audit Committee -- A committee appointed by the selectmen, mayor, or city council, with specific responsibility to review a community's independent audit of financial statements and to address all issues relating to it as well as those outlined in the accompanying management letter.

Audit Management Letter -- A independent auditor's written communication to government officials, separate from the community's audit. It generally identifies areas of deficiency, if any, and presents recommendations for improvements in accounting procedures, internal controls and other matters.

Audit Report -- Prepared by an independent auditor, an audit report includes: (a) a statement of the scope of the audit; (b) explanatory comments as to application of auditing procedures; (c) findings and opinions; (d) financial statements and schedules; and (e)

statistical tables, supplementary comments, and recommendations. Almost always accompanied by a management letter.

Available Funds -- Balances in the various fund types that represent non-recurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other one-time costs. Examples of available funds include free cash, stabilization fund, overlay surplus, water surplus, and enterprise retained earnings.

Balance Sheet -- A statement that discloses the assets, liabilities, reserves, and equities of a fund or governmental unit at a specified date.

BAN -- Bond Anticipation Note.

Betterments (Special Assessments) -- Whenever part of a community benefits from a public improvement, or betterment (*e.g.*, water, sewer, sidewalks, etc.), special property taxes may be assessed to the property owners of that area to reimburse the governmental entity for all, or part, of the costs it incurred in completing the project. Each property parcel receiving the benefit is assessed a proportionate share of the cost which may be paid in full, or apportioned over a period of up to 20 years. In this case, one year's apportionment along with one year's committed interest computed from October 1 to October 1 is added to the tax bill until the betterment has been paid.

BLA -- Bureau of Local Assessment.

Block Grant -- A Block Grant is a Federal grant of money awarded by formula under very general guidelines that allow grantees broad latitude in spending activities. Recipients are normally States or local governments

BOA -- Bureau of Accounts.

Boat Excise -- An amount levied on boats and ships in lieu of a personal property tax for the privilege of using the Commonwealth's waterways. Assessed annually as of July 1, the excise is paid to the community where the boat or ship is usually moored or docked, even if for a period less than a full year.

Bond -- A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of

money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year. (See Note).

Bond Buyer -- A daily trade paper containing current and historical information of interest to the municipal bond business.

Bond and Interest Record (Bond Register) -- The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue. (See Debt Statement).

Bond Anticipation Note (BAN) -- Short-term debt instrument used to generate cash for initial project costs and with the expectation that the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be re-issued for up to five years, provided principal repayment begins after two years (MGL Ch. 44 §17). Principal payments on school related BANs may be deferred up to seven years (increased in 2002 from five years) if the community has an approved project on the School Building Assistance (SBA) priority list. BANs are full faith and credit obligations.

Bond Authorization -- The action of town meeting or a city council authorizing the executive branch to raise money through the sale of bonds in a specific amount and for a specific purpose. Once authorized, issuance is by the treasurer upon the signature of the mayor, or selectmen. (See Bond Issue).

Bonds Authorized and Unissued -- Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes, but must be rescinded by town meeting or the city council to be removed from community's books.

Bond Counsel -- An attorney or law firm engaged to review and submit an opinion on the legal aspects of a municipal bond or note issue.

Bond Issue -- The actual sale of the entire, or a portion of, the bond amount authorized by a town meeting or city council.

Bond Rating (Municipal) -- A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies such as Moody's and Standard and Poor use rating systems which designate a letter or a combination of letters and numerals where AAA is the highest rating and C1 is a very low rating.

Budget -- A plan for allocating resources to support particular services, purposes and functions over a specified period of time. (See Level Funded Budget, Performance Budget, Program Budget, Zero Based Budget).

Budget Message -- A statement that, among other things, offers context by summarizing the main points of a budget, explains priorities, describes underlying policies that drive funding decisions, and otherwise justifies the expenditure plan and provides a vision for the future.

Budget Unit -- A board or department to which the municipality's legislative body appropriates funds.

Bureau of Accounts (BOA) -- A bureau within the State Division of Local Services charged with overseeing municipal execution of financial management laws, rules and regulations.

Bureau of Local Assessment (BLA) -- A bureau within the State Division of Local Services charged with overseeing municipal execution of state laws, rules and regulations involving real and personal property assessments. BLA is also responsible for determining equalized valuations and reimbursements for state owned land.

Capital Assets -- All tangible property used in the operation of government which is not easily converted into cash, and has an initial useful life extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles,

machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and a minimum initial cost. (See Fixed Asset).

Capital Budget -- An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method of financing each recommended expenditure, i.e., tax levy, rates, and identify those items that were not recommended. (See Capital Asset, Fixed Asset).

Capital Improvements Program -- A blueprint, for planning a community's capital expenditures that comprises an annual capital budget and a five-year capital program. It coordinates community planning, fiscal capacity and physical development. While all of the community's needs should be identified in the program, there is a set of criteria that prioritizes the expenditures.

Capital Outlay -- The exchange of one asset (cash) for another (capital asset), with no ultimate effect on net assets. Also known as "pay as you go," it is the appropriation and use of available cash to fund a capital improvement, as opposed to incurring debt to cover the cost.

Capital Outlay Expenditure Exclusion -- A temporary increase in the tax rate to fund a capital project or make a capital acquisition. Exclusions require two-thirds vote of the selectmen or city council (sometimes with the mayor's approval) and a majority vote in a community-wide referendum. The exclusion is added to the tax levy only during the year in which the project is being funded and may increase the tax levy above the levy ceiling.

Cash -- Currency, coin, checks and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits.

Cash Book -- A source book of original entry, which a treasurer is required to maintain, for the purpose of recording municipal receipts, adjustments to balances, deposits to municipal accounts and disbursements through warrants.

Cash Management -- The process of monitoring the ebb and flow of a money in an out of municipal accounts to ensure cash availability to

pay bills and to facilitate decisions on the need for short-term borrowing and investment of idle cash.

Cash Receipts -- Any money received by a municipality or its departments whether by cash, check or electronic transfer.

Categorical Grant -- A type of intergovernmental payment which is characterized by extensive restrictions on the uses to which the funds may be "spent" by the recipient government.

Cemetery Perpetual Care -- Funds donated by individuals for the care of gravesites. According to MGL Ch. 114 §25, funds from this account must be invested and spent as directed by perpetual care agreements. If no agreements exist, the interest (but not principal) may be used as directed by the cemetery commissioners for the purpose of maintaining cemeteries.

Certification -- Verification of authenticity. Can refer to the action of a bank, trust company, or DOR's Bureau of Accounts (BOA) in the issuance of State House Notes, to confirm the genuineness of the municipal signatures and seal on bond issues. The certifying agency may also supervise the printing of bonds and otherwise safeguard their preparation against fraud, counterfeiting, or over-issue. Also refers to the certification by the Bureau of Local Assessment (BLA) that a community's assessed values represent FFCV. (See Triennial Revaluation).

Certificate of Deposit (CD) -- A bank deposit evidenced by a negotiable or non-negotiable instrument that provides on its face that the amount of such deposit, plus a specified interest, is payable to the bearer or to any specified person on a certain date specified in the instrument, at the expiration of a certain specified time, or upon notice in writing.

Chapter 70 School Aid -- Chapter 70 refers to the school funding formula created under the Education Reform Act of 1993 by which state aid is distributed through the Cherry Sheet to help establish educational equity among municipal and regional school districts.

Chapter 90 Highway Funds -- State funds derived from periodic transportation bond authorizations and apportioned to communities for highway projects based on a formula under

the provisions of MGL Ch. 90 §34. The Chapter 90 formula comprises three variables: local road mileage (58.33 percent) as certified by the Massachusetts Highway Department (MHD), local employment level (20.83 percent) derived the Department of Employment and Training (DET), and population estimates (20.83 percent) from the US Census Bureau. Local highway projects are approved in advance, then later on the submission of certified expenditure reports to MHD, communities receive cost reimbursements to the limit of the grant. Under the formula, communities with a larger number of road miles receive proportionately more aid than those with fewer road miles.

Cherry Sheets -- Named for the cherry colored paper on which they were originally printed, the Cherry Sheet is the official notification to cities, towns and regional school districts of the next fiscal year's state aid and assessments. The aid is in the form of distributions which provide funds based on formulas and reimbursements which provide funds for costs incurred during a prior period for certain programs or services. (See Cherry Sheet Assessments, Estimated Receipts).

Cherry Sheet Assessments -- Estimates of annual charges to cover the cost of certain state and county programs. Prior to FY04, if the year-end actual assessments or charges differed from the estimates, adjustments were made on the subsequent year's cherry sheet. However, adjustments are no longer be made.

Cherry Sheet Offset Items -- Local aid that may be spent without appropriation in the budget, but which must be spent for specific municipal and regional school district programs. Current offset items include racial equality grants, school lunch grants, and public libraries grants. (See also Offset Receipts).

Cherry Sheet Overestimates -- The result when a prior year Cherry Sheet estimated charge or assessment exceeds the actual year-end charge. Overestimates are typically included on the subsequent year's Tax Recap Sheet as an estimated receipt.

Cherry Sheet Underestimates -- The result when a prior year Cherry Sheet estimated charge or assessment is less than the actual year-end charge. Underestimates are typically included on

the subsequent year's Tax Recap Sheet as an amount to be raised.

Classification of Real Property -- Assessors are required to classify all real property according to use into one of four classes: Residential, Open Space, Commercial, and Industrial. Having classified its real property, local officials are permitted to determine locally, within limits established by statute and the Commissioner of Revenue, what percentage of the tax burden is to be borne by each class of real property and by personal property owners. (See Classification of the Tax Rate).

Classification of the Tax Rate -- Each year, the selectmen or city council vote whether to exercise certain tax rate options. Those options include choosing a residential factor to adopt (MGL Ch. 40 §56), and determining whether to offer an open space discount (Ch. 61, 61A and 61B), a residential exemption (Ch. 59, §5C), and/or a small commercial exemption (Ch. 59, §5I) to property owners.

Code of Ethics -- The provisions and requirements of MGL Ch. 286A pertaining to the standards of behavior and conduct to which all public officials and employees are held.

Cost of Living Adjustment (COLA) -- Reference to language in municipal contracts that provide for annual or periodic increases in salaries and wages for employees over the course of the contract. The amount of an increase is most often negotiated based on an community's ability to pay, but is sometimes tied to the annual change in a specified index, i.e., consumer price index (CPI).

Collective Bargaining -- The process of negotiating workers' wages, hours, benefits, working conditions, etc., between an employer and some or all of its employees, who are represented by a recognized labor union.

Commitment -- An authorization to collect taxes, fees or other charges due a municipality. For example, the assessors' commitment of real estate taxes authorizes the collector to pursue and receive payment from property owners.

Community Preservation Act (CPA) -- Enacted as MGL Ch. 44B in 2000, the community preservation act permits cities and towns accepting its provisions to establish a

restricted fund from which monies can only be appropriated for a) the acquisition, creation and preservation of open space; b) the acquisition and preservation of historic structures and landscapes; and c) the creation, acquisition and preservation of community housing. Acceptance requires town meeting or city council approval, together with referendum approval by majority vote. The local program is funded by a local surcharge up to 3 percent on real property tax bills and matching dollars from the state generated from registry of deeds fees. (See DOR IGR 00-209).

Community Preservation Fund -- A special revenue fund established pursuant to MGL Ch. 44B to receive all monies collected to support a community preservation program, including but not limited to, tax surcharge receipts, proceeds from borrowings, funds received from the Commonwealth, and proceeds from the sale of certain real estate.

Compensated Absences -- Time off, with pay, made available to employees for vacation leave, sick leave, and similar benefits. For financial reporting purposes, compensated absences are strictly limited to leave that is attributable to services already rendered, and is not contingent on a specific event (such as illness) that is outside the control of the employer and employee.

Compensating Balance Agreement -- An alternative to the payment of direct fees for banking services. In this case, a bank specifies a minimum balance that the municipality must maintain in non-interest bearing accounts. The bank can then lend this money (subject to a reserve requirement) and earn interest, which will at least cover the cost of services provided to the municipality. Compensating balance agreements are permitted under MGL Ch. 44 §53F and must be approved annually by town meeting or the city council.

Computer Assisted Mass Appraisal (CAMA) -
- An automated system for maintaining property data, valuing property, notifying owners, and ensuring tax equity through uniform valuations.

Conservation Fund -- A city or town may appropriate money to a conservation fund, which money may be expended for lawful conservation purposes as described in MGL Ch. 40 §8C. The money may also be expended for damages

arising from an eminent domain taking provided that the taking was approved by a two-thirds vote of city council or town meeting.

Consumer Price Index (CPI) -- The statistical measure of changes, if any, in the overall price level of consumer goods and services. The index is often called the "cost-of-living index."

Cost-Benefit Analysis -- An decision-making tool that allows a comparison of options based on the level of benefit derived and the cost to achieve the benefit from different alternatives.

Contingent Appropriation -- An appropriation that authorizes spending for a particular purpose only if subsequently approved in a voter referendum. Under MGL Ch. 59 §21C (m), towns may make appropriations from the tax levy, available funds or borrowing, contingent upon the subsequent passage of a Proposition 2½ override or exclusion question for the same purpose. If initially approved at an annual town meeting, voter approval of the contingent appropriation must occur by September 15. Otherwise, the referendum vote must occur within 90 days after the town meeting dissolves. The question may be placed before the voters at more than one election, but if not approved by the applicable deadline, the appropriation is null and void. If contingent appropriations are funded through property taxes, DOR cannot approve the tax rate until the related override or exclusion question is resolved or the deadline passes, whichever occurs first.

Contingent Debt -- Debt that is not in the first instance payable as a direct obligation of the governmental unit, but has been guaranteed by a pledge of its faith and credit. The obligation to pay by the guarantor arises upon the default of the borrower. An industrial revenue bond guaranteed by a municipality would constitute contingent debt.

Contingent Liabilities -- Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending law suits, judgments under appeal, unsettled disputed claims, unfilled purchase orders, and uncompleted contracts.

Control Board -- (See Finance Control Board).

Corporations Book (Corp. Book) -- Annually updated and published on the Internet, the Corp

Book provides a listing of domestic and foreign corporations doing business in Massachusetts as of January 1 and which are subject to a tax or excise under MGL Chap. 59 (local property tax), 60A (motor vehicle excise), or 63 (corporation excises). The listing provides information primarily to assessors about the taxable status of businesses located within their community. Links to the Corp. Book are located on the DLS website at www.dls.state.ma.us.

Cost Approach -- A method used to estimate the present market value of an existing property by calculating the current cost to rebuild it, then adjusting the cost downward for depreciation based on the property's actual age. Land is valued separately and added to the depreciated replacement cost.

Current Refunding of Debt -- When the proceeds of the refunding debt are applied immediately to redeem the old debt. That is, the maturity date on the old debt coincides with the issuance date of the new borrowing obligation. (See also Refunding and Advance Refunding of Debt)

Data Collection -- Process of inspecting real and personal property and recording its attributes, quality, and condition.

Debt Authorization -- Formal approval by a two-thirds vote of town meeting or city council to incur debt, in accordance with procedures stated in MGL Ch. 44 §§1, 2, 3, 4a, 6-15.

Debt Burden -- The amount of debt carried by an issuer usually expressed as a measure of value (i.e., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

Debt Exclusion -- An action taken by a community through a referendum vote to raise the funds necessary to pay debt service costs for a particular project from the property tax levy, but outside the limits under Proposition 2½. By approving a debt exclusion, a community calculates its annual levy limit under Proposition 2½, then adds the excluded debt service cost. The amount is added to the levy limit for the life of the debt only and may increase the levy above the levy ceiling.

Debt Limit -- The maximum amount of debt that a municipality may authorize for qualified purposes under state law. Under MGL Ch. 44 §10, debt limits are set at 2 ½ percent of EQV for a city and 5 percent of EQV for a town. By petition to the Emergency Finance Board, cities and towns can receive approval to increase their debt limit to 5 and 10 percent of EQV, respectively.

Debt Policy -- Part of an overall capital financing policy that provides evidence of a commitment to meet infrastructure needs through a planned program of future financing. Debt policies should be submitted to elected officials for consideration and approval.

Debt Service -- The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

Debt Statement -- Reference to a report, which local treasurers are required to file with the DOR, showing authorized and issued debt, debt retired and interest paid by a community during the prior fiscal year, as well as authorized but unissued debt at year-end. Also known as the "Statement of Indebtedness."

Deferred Revenue -- Amounts that do not meet the criteria for revenue recognition. Also, earned amounts which are not yet available to liquidate liabilities of a current period.

Deficit -- The excess of expenditures over revenues during an accounting period. Also refers to the excess of the liabilities of a fund over its assets.

Deficit Bonds -- Long-term borrowing vehicle intended to fund operating deficits and available to cities and towns only through special legislation.

Demand Letter -- Notice to a delinquent taxpayer of overdue taxes typically mailed soon after the thirty day, or otherwise determined, payment period has ended.

Designated Unreserved Fund Balance -- A limitation on the use of all or part of the expendable balance in a governmental fund.

Education Reform Act of 1993 -- State law that authorized the seven-year, Ch. 70 funding

program for education and that established spending targets for school districts as a means to remedy educational inequities. Scheduled to end by FY00, the program has been extended, pending agreement on further reforms.

Electronic Transfer -- The electronic transmission of payments from one bank to another through a wire system, used in lieu of checks. (See also Wire Transfer)

Emergency Board -- A board authorized by MGL Ch. 44 §8 (9) to review and approve emergency loan requests of municipalities. As used in this clause, emergency means a sudden, unavoidable event(s) that could not have been reasonably foreseen or anticipated at the time of submission of the annual budget for approval.

Emergency Finance Board -- A board authorized by MGL Ch. 10 §47 to review and approve applications by municipalities to exceed their statutory debt limit, define the term of borrowing for certain purposes, and designate issues of "qualified bonds" under MGL Ch. 44A.

Eminent Domain -- The power of a government to take property for public purposes. Frequently used to obtain real property that cannot be purchased from owners in a voluntary transaction. Property owner receives fair compensation (market value at the time of the taking) as determined through court proceedings.

Encumbrance -- A reservation of funds to cover obligations arising from purchase orders, contracts, or salary commitments that are chargeable to, but not yet paid from, a specific appropriation account.

End User -- The person or persons for whom a particular hardware device or software application was designed to be used by.

Enterprise Funds -- An enterprise fund, authorized by MGL Ch. 44 §53F½, is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital costs--are identified. This allows the community to recover total

service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or retained earnings generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services.

Equalized Valuations (EQVs) -- The determination of an estimate of the FFCV of all property in the Commonwealth as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and for determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL Ch. 58 §10C, is charged with the responsibility of biannually determining an equalized valuation for each city and town in the Commonwealth.

Estimated Receipts -- A term that typically refers to anticipated local revenues listed on page three of the Tax Recapitulation Sheet. Projections of local revenues are often based on the previous year's receipts and represent funding sources necessary to support a community's annual budget.

Excess And Deficiency -- Also called the "surplus revenue" account, this is the amount by which cash, accounts receivable, and other assets exceed a regional school district's liabilities and reserves as certified by the Director of Accounts. The calculation is based on a year-end balance sheet which is submitted to DOR by the district's auditor, accountant, or comptroller as of June 30. The regional school committee must apply certified amounts exceeding five percent of the district's prior year operating and capital costs to reduce the assessment on member cities and towns.

Excess Levy Capacity -- The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year. Annually, the board of selectmen or city council must be informed of excess levy capacity and their acknowledgment must be submitted to DOR when setting the tax rate.

Exemption -- A discharge, established by statute, from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an

application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include veterans, blind individuals, surviving spouses, and persons over 70 years of age.

Exemption Date -- Exemption status is determined as of July 1. All qualifying factors must be met as of that date.

Expenditure -- An outlay of money made by municipalities to provide the programs and services within their approved budget.

Expendable Trust -- A fund, administered by the treasurer, from which both principle and interest can be expended for the purposes specified and agreed upon when the money was donated or transferred to the community. (See Trust Fund; Non-Expendable Trust).

Expense -- An identified cost incurred to accomplish a particular goal.

Fair Market Value -- (See Full and Fair Cash Value).

Federal Aid Anticipation Note (FAAN) -- Short-term debt instrument used to generate cash with the expectation that the debt will be paid from anticipated federal aid. As a note, FAANS are typically issued for a term of less than one year and are full faith and credit obligations..

Fiduciary Funds -- Repository of money held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include expendable trust, non-expendable trust, pension trust, and agency funds.

Field Review Audit - A review of assessment valuation methods and support documentation by the BLA performed as a prerequisite to a triennial certification of property values.

Finance Control Board -- A board created by special legislation and comprised of state officials to oversee the financial management of a community which has received state loans to finance operating deficits.

Financial Advisor -- An individual or institution that assists municipalities in the issuance of tax exempt bonds and notes. The public finance

department of a commercial bank or a non-bank advisor usually provides this service.

Financial Statement -- A presentation of the assets and liabilities of a community as of a particular date and most often prepared after the close of the fiscal year.

Fiscal Year -- Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1 and ends June 30. The designation of the fiscal year is that of the calendar year in which the fiscal year ends. For example, the 2000 fiscal year is July 1, 1999 to June 30, 2000. Since 1976, the federal government fiscal year has begun October 1 and ended September 30.

Fixed Assets -- Long-lived, tangible assets such as buildings, equipment and land obtained or controlled as a result of past transactions or circumstances.

Fixed Costs -- Costs that are legally or contractually mandated such as retirement, FICA/Social Security, insurance, debt service costs or interest on loans.

Float -- The difference between the bank balance for a local government's account and its book balance at the end of the day. The primary factor creating float is clearing time on checks and deposits. Delays in receiving deposit and withdrawal information also influence float.

Foundation Budget -- The spending target imposed by the Education Reform Act of 1993 for each school district as the level necessary to provide an adequate education for all students.

Free Cash -- (Also Budgetary Fund Balance) Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. **Important:** free cash is not available for appropriation until certified by the Director of Accounts. (See Available Funds).

Full Accrual -- Basis of Accounting – A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.

Full and Fair Cash Value (FFCV) -- Fair cash value has been defined by the Massachusetts Supreme Judicial Court as "fair market value, which is the price an owner willing but not under compulsion to sell ought to receive from one willing but not under compulsion to buy. It means the highest price that a normal purchaser not under peculiar compulsion will pay at the time, and cannot exceed the sum that the owner after reasonable effort could obtain for his property. A valuation limited to what the property is worth to the purchaser is not market value. The fair cash value is the value the property would have on January first of any taxable year in the hands of any owner, including the present owner" (Boston Gas Co. v. Assessors of Boston, 334 Mass. 549, 566 (1956)).

Full Faith and Credit Obligations -- A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full-faith-and-credit bonds.

Full Measure and List -- An inspection program completed by assessors to maintain up-to-date property records. Inspections are usually carried out by assessors, in-house staff or by contract data collectors. Properties are literally measured and re-listed in the assessors' records with any changes in conditions since the last inspection as indicated on field cards. Also referred to as a cyclical inspection program, BLA recommends a full measure and list be completed at least every 7-to-10 years.

Fund -- An accounting entity with a self balancing set of accounts that is segregated for the purpose of carrying on identified activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Fund Accounting -- Organizing the financial records of a municipality into multiple, segregated locations for money. A fund is a distinct entity within the municipal government in which financial resources and activity (assets, liabilities, fund balances, revenues, and expenditures) are accounted for independently in accordance with specific regulations, restrictions

or limitations. Examples of funds include the general fund and enterprise funds. Communities whose accounting records are organized according to the Uniform Municipal Accounting System (UMAS) use multiple funds.

Fund Balance -- The difference between assets and liabilities reported in a governmental fund. Also known as fund equity. (See also Unreserved Fund Balance)

GANS -- Grant Anticipation Notes.

GASB 34 -- A major pronouncement of the Governmental Accounting Standards Board that establishes new criteria on the form and content of governmental financial statements. GASB 34 requires a report on overall financial health, not just on individual funds. It requires more complete information on the cost of delivering services and value estimates on public infrastructure assets, such as bridges, road, sewers, etc. It also requires the presentation of a narrative statement analyzing the government's financial performance, trends and prospects for the future.

General Fund -- The fund used to account for most financial resources and activities governed by the normal town meeting/city council appropriation process.

General Fund Subsidy -- Most often used in the context of enterprise funds. When the revenue generated by rates, or user fees, are insufficient to cover the cost to provide the particular service, general fund money is used to close the gap in the form of a subsidy. The subsidy may or may not be recovered by the general fund in subsequent years.

General Ledger -- The accountant's record of original entry which is instrumental in forming a paper trail of all government financial activity.

General Obligation Bonds -- Bonds issued by a municipality for purposes allowed by statute that are backed by the full faith and credit of its taxing authority.

Generally Accepted Accounting Principles (GAAP)—Uniform minimum standards and guidelines for financial accounting and reporting that serve to achieve some level of standardization.

GIS -- Geographical Information System -- A computerized mapping system and analytical tool that allows a community to raise information on a parcel, area or community wide basis. It also allows parcels to be identified and sorted on the basis of certain specified criteria. The system can integrate assessors' property data, water and sewer line networks, wetlands, floodplains and as well as other data.

Governing Body -- A board, committee, commission, or other legislative body including the school committee of a municipality.

Governmental Accounting Standards Board (GASB) -- The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

Grant Anticipation Notes -- (GANS) -- Short-term, interest-bearing notes issued by a government to raise capital to be repaid by grants proceeds which are anticipated at a later date. GANS allow the recipient of the grant to begin carrying out the purpose of the grant immediately.

Home Rule -- An alternative, under MGL Ch. 43B, to creating a charter commission by which cities and towns create, adopt, revise and amend local charters.

Hotel/Motel Excise -- A local option since 1985 that allows a community to assess a tax on short-term room occupancy. The community may levy up to 4 percent of the charge for stays of less than 90 days at hotels, motels and lodging houses. The convention center legislation imposed an additional 2.75 percent charge in Boston, Cambridge, Springfield and Worcester.

House 1 or 1A -- Designation given to the Governor's annual budget request which is submitted to the House of Representatives by the fourth Wednesday of January. Except that a newly elected governor have eight weeks from the day he/she takes office to submit a budget. The budget is designated House 1 in the first year of the two-year legislative session and House 1A in the second year.

Income Approach -- A method of estimating property value by converting anticipated net rental revenue, generated by the property, into an indication of market value. Used primarily to value commercial/industrial properties and

apartment buildings which are normally bought and sold on the basis of their income producing capability.

Indirect Cost -- Costs of a service not reflected in the operating budget of the entity providing the service. An example of an indirect cost of providing water service would be the value of time spent by non-water department employees processing water bills. A determination of these costs is necessary to analyze the total cost of service delivery. The matter of indirect costs arise most often in the context of enterprise funds.

Inside Debt -- Municipal debt incurred for purposes enumerated in MGL Ch. 44, §7, and measured against the community's debt limit as set under Ch. 10. Consequently, the borrowing is inside the debt limit and referred to as inside debt. (See also Outside Debt).

Interest -- Compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis, but are paid every six months.

Interest Rate -- The interest payable, expressed as a percentage of the principal available, for use during a specified period of time. It is always expressed in annual terms.

Interim Year Valuation Adjustment -- State law requires that local assessed values reflect market value every year. Every three years, BLA reviews and certifies that an individual community's assessed values meet the standard. In between these triennial revaluations, a community should complete an annual analysis to determine whether an interim year value adjustment is warranted. Depending on market conditions and property value trends, adjustments may increase, decrease or leave values unchanged. If the overall assessed value of the community changes by 10 percent, up or down, BLA must be notified.

Investments -- Securities and real estate held for the production of income in the form of interest, dividends, rentals, or lease payments. The term does not include fixed assets used in governmental operations.

Joint Labor Management Committee.

(JLMC) -- The purpose of the JLMC is to mediate police officer or fire fighter collective bargaining disputes with municipalities when negotiations have reached an impasse. The JLMC enters the collective bargaining process only when petitioned to do so by either party or by both parties acting jointly.

Judgment -- An amount to be paid or collected by a governmental unit as a result of a court decision, including a condemnation award in payment for private property taken for public use.

Land Schedule -- A table, typically developed by assessors and revaluation consultants, which is used to arrive at consistent assessed values for land within defined neighborhoods. Based on an analysis of market sales, neighborhood prime site value, secondary site value, and so forth, are established within a computer program. As the property characteristics of other land parcels are entered, the computer program assigns a value based on the land schedule.

Law Enforcement Trust Fund -- A revolving fund established to account for a portion of the proceeds from the sale of property seized from illegal drug-related activities. Funds may be expended to defray certain qualified law enforcement costs as outlined in MGL Ch. 94C §47. Funds from this account may be expended by the police chief without further appropriation.

Legal Opinion (Debt Issuance) -- An opinion by an attorney or law firm that bonds have been legally issued by a public body, and usually, that the bonds are exempt from federal income taxes and some Massachusetts taxes under existing laws, regulations, and rulings.

Levy -- The amount a community raises through the property tax. The levy can be any amount up to the levy limit which is re-established every year in accordance with Proposition 2½ provisions.

Levy Ceiling -- A levy ceiling is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that, in any year, the real and personal property taxes imposed may not exceed 2½ percent of the total full and fair cash value of all taxable property. Property taxes levied may exceed this limit only if the community passes a capital exclusion, a

debt exclusion, or a special exclusion. (See Levy Limit).

Levy Limit -- A levy limit is one of two types of levy (tax) restrictions imposed by MGL Ch. 59 §21C (Proposition 2½). It states that the real and personal property taxes imposed by a city or town may only grow each year by 2½ percent of the prior year's levy limit, plus new growth and any overrides or exclusions. The levy limit can exceed the levy ceiling only if the community passes a capital expenditure exclusion, debt exclusion, or special exclusion. (See Levy Ceiling).

Lien -- A legal claim against real or personal property to protect the interest of a party (i.e., a city or town) to whom a debt is owed (i.e., taxes). In the case of real property, the lien in favor of a municipality automatically arises each January 1, but must be secured through other action. On other property, a lien must be recorded to become secure. (See Lien Date).

Lien Date -- The date a lien arises on real property to protect the municipality's right to payment of taxes. Property tax liens arise by law on the January 1 assessment date. The lien is secured when the collector makes a tax taking and places the property in tax title. Unless the lien is secured, it expires if five years elapse from the January 1 assessment date and the property is transferred in the meantime. Securing a lien on a motor vehicle or boat excise, personal property tax and on betterments, requires recordings at the registry of deeds.

Line-Item Budget -- A budget that separates spending into categories, or greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

Line-Item Transfer -- The reallocation of a budget appropriation between two line-items within an expenditure category (i.e., salaries, expenses). Employed as a management tool, line-item transfer authority allows department heads to move money to where a need arises for a similar purpose and without altering the bottom line. Whether or not line-item transfers are permitted depends on how the budget is presented (i.e., format) and what level of budget detail town meeting believes it is approving.

Local Acceptance Statute -- A requirement placed within the language of a General Law that

a community affirmatively accept the statute by town meeting or city council action before availing itself of the provisions of the particular law.

Local Aid -- Revenue allocated by the Commonwealth to cities, towns, and regional school districts. Estimates of local aid are transmitted to cities, towns, and districts annually by the "Cherry Sheets." Most Cherry Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

Local Appropriating Authority -- In a town, the town meeting has the power to appropriate funds, including the authorization of debt. In a city, the city council has the power.

Local Receipts -- Locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. Annual estimates of local receipts are shown on the tax rate recapitulation sheet.

Lock Box Service -- A service typically offered by a financial institution for a fee to receive, process and deposit payments made to municipalities for property taxes, motor vehicle excise, boat excise, and/or utility payments. At the end of each processing day, the community receives payment information on disk or other medium which it can be automatically posted to the collectors' cash receipts software. Printed reports are also provided.

Long-Term Debt -- Community borrowing, or outstanding balance at any given time, involving loans with a maturity date of 12 months or more. (See Permanent Debt).

Maintenance Budget -- A no-growth budget that continues appropriations for programs and services at their current year levels. The actual appropriation to maintain programs and services may still increase due to inflation or other factors.

Market Value -- (See Full and Fair Cash Value).

Mass Appraisal -- Use of standardized procedures for collecting data and appraising property to ensure that all properties within a municipality are valued uniformly and equitably.

Maturity Date -- The date that the principal of a bond becomes due and payable in full.

Massachusetts Certified Public Purchasing Official -- A certification and designation program for public officials responsible for municipal procurements. (See Uniform Procurement Act).

Massachusetts Municipal Depository Trust (MMDT) -- An investment program, founded in 1977 under the supervision of the State Treasurer, in which municipalities may pool excess cash for investment.

MDM/TA - Municipal Data Bank/Technical Assistance Bureau.

Minimum Residential Factor (MRF) -- Massachusetts' law allows for a shift of the tax burden from the residential and open space classes of property to the commercial, industrial and personal property classes (CIP). The MRF, established by the Commissioner of Revenue, is used to make certain that the shift of the tax burden complies with the law. If the MRF would be less than .65, the community cannot make the maximum shift and must use a CIP factor less than 1.50. Chapter 200 allows certain communities to use a CIP of up to 1.75 percent with specified conditions.

Minimum Required Local Contribution -- The minimum that a city or town must appropriate from property taxes and other local revenues for the support of schools (Education Reform Act of 1993).

Modified Accrual Basis of Accounting -- A method of accounting that recognizes revenues in the accounting period in which they become available and measurable.

Motor Vehicle Excise (MVE) -- A locally imposed annual tax assessed to owners of motor vehicles registered to an address within the community. The excise tax rate is set by statute at \$25.00 per \$1000 of vehicle value. Owner registration and billing information is maintained by the State Registry of Motor Vehicles and is made available to a city or town, or to the Deputy Collector who represents it.

Municipal(s) -- (As used in the bond trade) "Municipal" refers to any state or subordinate governmental unit. "Municipals" (*i.e.*, municipal

bonds) include not only the bonds of all political subdivisions, such as cities, towns, school districts, special districts, but also bonds of the state and agencies of the state.

Municipal Data Bank -- Located within the Division of Local Services (DLS), the Bureau of Municipal Data Management collects, organizes, stores and publishes historical financial information on cities and towns, regional districts and the Commonwealth. Public access to the data is available through links at the DLS website at www.dls.state.ma.us.

Municipal Revenue Growth Factor (MRGF) -
- An estimate of the percentage change in a municipality's revenue growth for a fiscal year. It represents the combined percentage increase in the following revenue components: automatic 2½ percent increase in the levy limit, estimated new growth, the change in selected unrestricted state aid categories, and the change in selected unrestricted local receipts (Education Reform Act of 1993).

Multiple Regression -- A technique for valuing real property that uses an equation generated through sales analysis to estimate the value of unsold properties.

Net School Spending (NSS) -- School budget and municipal budget amounts attributable to education, excluding long-term debt service, student transportation, school lunches and certain other specified school expenditures. A community's NSS funding must equal or exceed the NSS Requirement established annually by the Department of Education (DOE) (Education Reform Act of 1993).

New Growth -- The additional tax revenue generated by new construction, renovations and other increases in the property tax base during a calendar year. It does not include value increases caused by normal market forces or by revaluations. New growth is calculated by multiplying the assessed value associated with new construction, renovations and other increases by the prior year tax rate. The additional tax revenue is then incorporated into the calculation of the next year's levy limit. For example, new growth for FY03 is based on new construction, etc. that occurred between January and December, 2001. In the fall of 2002, when new growth is being estimated to set the FY03

levy limit, the FY02 tax rate is used in the calculation.

Non-Expendable Trust -- A trust fund administered by the treasurer, from which principle, but not interest, can be expended for the purposes specified by the donor or agreed upon when the money was donated or transferred to the community. See Trust Fund; Expendable Trust.

Non-Recurring Revenue Source -- A one-time source of money available to a city or town. By its nature, a non-recurring revenue source cannot be relied upon in future years. Therefore, such funds should not be used for operating or other expenses that continue from year-to-year. See Recurring Revenue Source.

Note -- A short-term loan, typically with a maturity date of a year or less.

Objects of Expenditures -- A classification of expenditures that is used for coding any department disbursement, such as "personal services," "expenses," or "capital outlay".

Official Statement -- A document prepared for potential investors that contains information about a prospective bond or note issue and the issuer. The official statement is typically published with the notice of sale. It is sometimes called an offering circular or prospectus.

Offset Receipts -- A local option that allows estimated receipts of a particular department to be earmarked for use of the department and appropriated to offset its annual operating budget. If accepted, MGL Ch. 44 § 53E limits the amount of offset receipts appropriated to no more than the actual receipts collected for the prior fiscal year. The Director of Accounts must approve use of a higher amount before appropriation. Actual collections greater than the amount appropriated close to the general fund at year-end. If actual collections are less, the deficit must be raised in the next year's tax rate.

Omitted and Revised Values -- Corrections, submitted by assessors, after the annual commitment is made to reverse unintentional or inadvertent mistakes that causes some owners not to be assessed or to be incorrectly assessed for the fiscal year.

Operating Budget -- A plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year.

Other Amounts to be Raised (Tax Recapitulation Sheet) -- Amounts not appropriated but raised through taxation. Generally, these are locally generated expenditures (*e.g.*, overlay, teacher pay deferral, deficits) as well as state, county and other special district charges. Because they must be funded in the annual budget, special consideration should be given to them when finalizing the budget recommendations to the city council or town meeting.

Outside Debt -- Municipal borrowing for purposes enumerated in MGL Ch. 44, §8, the debt incurred for which is not measured against the community's debt limit per Ch. 10. Consequently, the borrowing is outside the debt limit and referred to as outside debt. (See Inside Debt).

Overlapping Debt -- A community's proportionate share of the debt incurred by an overlapping government entity, such as a regional school district, regional transit authority, etc.

Overlay -- (Overlay Reserve or Allowance for Abatements and Exemptions) An account established annually to fund anticipated property tax abatements, exemptions and uncollected taxes in that year. The overlay reserve is not established by the normal appropriation process, but rather is raised on the tax rate recapitulation sheet.

Overlay Deficit -- A deficit that occurs when the amount of overlay raised in a given year is insufficient to cover abatements, statutory exemptions, and uncollected taxes for that year. Overlay deficits must be provided for in the next fiscal year.

Overlay Surplus -- Any balance in the overlay account of a given year in excess of the amount remaining to be collected or abated can be transferred into this account. Within ten days of a written request by the chief executive officer of a city or town, the assessors must provide a certification of the excess amount of overlay available to transfer. Overlay surplus may be appropriated for any lawful purpose. At the end of each fiscal year, unused overlay surplus is

"closed" to surplus revenue; in other words, it becomes a part of free cash.

Overnight Repurchase Agreement -- A contract between a financial institution and a community authorizing the financial institution to operate a sweep account on behalf of the municipality. (See Sweep Account).

Override -- A vote by a community at an election to permanently increase the levy limit. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount. See underide.

Override Capacity -- The difference between a community's levy ceiling and its levy limit. It is the maximum amount by which a community may override its levy limit.

Payments in Lieu of Taxes -- An agreement between a municipality and an entity not subject to taxation, such as charitable or educational organizations, in which the payer agrees to make a voluntary payment to the municipality. By law, a city or town must make such a payment to any other community in which it owns land used for public purposes.

PERAC -- The Public Employee Retirement Administration oversees and directs the state retirement system and administers benefits for members.

Performance Audit -- Such audits examine the implicit assertion of management, that it is meeting its responsibilities efficiently and effectively. Performance audits typically focus on individual departments, agencies, activities, or functions within a government.

Performance Budget -- A budget that stresses output both in terms of economy and efficiency.

Permanent Debt -- Borrowing by a community typically involving a debt service amortization period of greater than one year. (See also Long-Term Debt).

Personal Property -- Movable items not permanently affixed to, or part of the real estate. It is assessed separately from real estate to certain businesses, public utilities, and owners of homes that are not their primary residences.

Personnel Costs -- The cost of salaries, wages and related employment benefits.

Preliminary Tax -- The tax bill for the first two quarters of the fiscal year sent, no later than July 1, by communities on a quarterly tax billing cycle. The tax due on a preliminary tax bill can be no greater than the amount due in the last two quarters of the previous fiscal year.

Principal -- The face amount of a bond, exclusive of accrued interest.

Procurement Officer -- An individual defined under MGL Ch. 30B, §2 and authorized to procure supplies or services for a governmental body.

Proforma Recap Sheet -- The Tax Recapitulation Sheet submitted to DOR by communities on a semi-annual tax billing cycle which seek to send a preliminary tax notice for the first half of the fiscal year because they are in a recertification year or have a valuation related delay.

Program -- A combination of activities to accomplish an end.

Program Budget -- A budget that relates expenditures to the programs they fund. The emphasis of a program budget is on output.

Property Tax Levy -- (See Levy).

Proprietary Funds -- Funds that account for government's business-type activities (e.g., activities that receive a significant portion of their funding through user charges). The fund types included in proprietary funds are the enterprise fund and the internal service fund. The internal service fund accounts for certain central services (e.g., data processing, printing, postage, motor pool) and then allocates the cost among departments or funds within the governmental unit.

Purchase Order -- An official document or form authorizing the purchase of products and services.

Purchased Services -- The cost of services that are provided by a vendor.

Purchasing Agent -- Through local acceptance of MGL Ch. 41, §103, a city or town may

establish a purchasing department and appoint a purchasing agent who shall purchase all supplies for the city or town. (See Procurement Officer).

Qualified Bond -- A program, unique to Massachusetts, for municipalities that have marginal credit ratings in which the State Treasurer pays the debt service directly from a community's local aid, reinforcing the security of the bond and improving its marketability. Issuers of qualified bonds have been able to obtain bond insurance and these credit enhancements have reduced the cost of borrowing in recent years. The Emergency Finance Board authorizes issuance of these bonds under Ch. 44A.

Raise and Appropriate -- A phrase used to identify a funding source for an expenditure or expenditures which refers to money generated by the tax levy, or other local receipt.

Real Property -- Land, buildings and the rights and benefits inherent in owning them.

Recap Sheet -- (See Tax Rate Recapitulation Sheet).

Receipts -- Money collected by and within the control of a community from any source and for any purpose.

Receipts Reserved for Appropriation -- Proceeds that are earmarked by law and placed in separate accounts for appropriation for particular purposes. For example, parking meter proceeds may be appropriated to offset certain expenses for parking meters and the regulation of parking and other traffic activities.

Receivables -- A expectation of payment of an amount certain accruing to the benefit of a city or town.

Reconciliation of Cash -- Periodic process where the accountant and treasurer compare records to confirm available cash in community accounts. DOR requires an annual reconciliation of cash without variances to be submitted with as balance sheet as a prerequisite to certifying a community's free cash.

Reconciliation of Receivables -- Periodic process where the accountant and collector compare records to confirm amount of taxes outstanding. DOR requires an annual

reconciliation of receivables without variances to be submitted with a balance sheet as a prerequisite to certifying a community's free cash.

Records Disposition Schedule -- Guidelines published by the Records Management Division of the Secretary of State's Office and pursuant to MGL Ch. 66, informing local officials as to how long, and in what form, municipal records must be maintained, and identifying what records may be lawfully disposed of.

Recurring Revenue Source -- A source of money used to support municipal expenditures which by its nature can be relied upon, at some level, in future years. (See Non-recurring Revenue Source).

Refunding of Debt -- Transaction where one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer. (See Current and Advance Refunding of Debt).

Repurchase Agreement (Repo) -- An agreement whereby a local government transfers cash to a financial institution, and the financial institution transfers securities to the local government and promises to repay the cash plus interest in exchange for the same securities within a given number of days.

Requisition -- Form used by the requesting department when ordering products and services from external vendors. This document generates a Purchase Order

Reserve for Abatements and Exemptions -- See overlay.

Reserve Fund -- An amount set aside annually within the budget of a city (not to exceed 3 percent of the tax levy for the preceding year) or town (not to exceed 5 percent of the tax levy for the preceding year) to provide a funding source for extraordinary or unforeseen expenditures. In a town, the finance committee can authorize transfers from this fund for "extraordinary or unforeseen" expenditures. Other uses of the fund require budgetary transfers by town meeting. In a city, transfers from this fund may be voted by the city council upon recommendation of the mayor.

Residential Exemption -- An option that allows a community to grant an exemption to owner-occupied residential properties of up to 20 percent of property's assessed value. In effect, the exemption shifts a portion of the tax burden, within the residential class, away from lower valued, single family homes to multi-family properties, apartment buildings and non-resident property owners.

Residential Factor -- Adopted by a community annually, this governs the percentage of the tax levy to be paid by property owners. A residential factor of "1" will result in the taxation of all property at the same rate (single tax rate). Choosing a factor of less than one results in increasing the share of the levy raised by commercial, industrial and personal property. Residential property owners will therefore pay a proportionately lower share of the total levy. (See Minimum Residential Factor).

Retained Earnings -- An equity account reflecting the accumulated earnings of an enterprise fund that may be used to fund capital improvements, to reimburse the general fund for prior year subsidies, to reduce user charges and to provide for enterprise revenue deficits (operating loss).

Revaluation -- The assessors of each community are responsible for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. The nature and extent of that program will depend on the assessors' analysis and consideration of many factors, including, but not limited to, the status of the existing valuation system, the results of an in-depth sales ratio study, and the accuracy of existing property record information. Every three years, assessors must submit property values to the DOR for certification. Assessors must also maintain current values in the years between certifications so that each taxpayer in the community pays his or her share of the cost of local government in proportion to the value of his property. (See Triennial Certification).

Revenue Anticipation Borrowing -- Cities, towns and districts may issue temporary notes in anticipation of taxes (TANS) or other revenue (RANS). The amount of this type of borrowing is limited to the total of the prior year's tax levy, the net amount collected in motor vehicle and

trailer excise in the prior year and payments made by the Commonwealth in lieu of taxes in the prior year. According to MGL Ch. 44 § 4, cities, towns and districts may borrow for up to one year in anticipation of such revenue.

Revenue Anticipation Note (RAN) -- A short-term loan issued to be paid off by revenues, such as tax collections and state aid. RANS are full faith and credit obligations. (See Tax Anticipation Notes, Bond Anticipation Notes).

Revenue Bond -- A bond payable from and secured solely by specific revenues and thereby not a full faith and credit obligation.

Revenue Deficit -- The amount by which actual revenues at year-end fall short of projected revenues and are insufficient to fund the amount appropriated. In such a case and unless otherwise funded, the revenue deficit must be raised in the following year's tax rate.

Revenues -- All monies received by a governmental unit from any source.

Revolving Fund -- Allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service. For departmental revolving funds, MGL Ch. 44 §53E½ stipulates that each fund must be re-authorized each year at annual town meeting or by city council action, and that a limit on the total amount that may be spent from each fund must be established at that time. The aggregate of all revolving funds may not exceed ten percent of the amount raised by taxation by the city or town in the most recent fiscal year, and no more than one percent of the amount raised by taxation may be administered by a single fund. Wages or salaries for full-time employees may be paid from the revolving fund only if the fund is also charged for all associated fringe benefits.

Roll-back Taxes -- Back taxes that become due when land which is valued, assessed and taxed under MGL Ch. 61A or 61B, no longer qualifies as actively devoted to purposes specified in each chapter.

Sales Comparison Approach -- A method of estimating the value of property by comparing verified data about similar properties that have recently sold or are offered for sale on the open market and adjusting for differences from the subject, or unsold, property.

Sale of Cemetery Lots Fund -- A fund established to account for proceeds of the sale of cemetery lots. The proceeds may only be appropriated to pay for the cost of the land, its care and improvement or the enlargement of the cemetery under provisions of MGL Ch. 114 §15.

Sale of Real Estate Fund -- A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure. MGL Ch. 44 §63 states that such proceeds shall be applied first to the retirement of debt on the property sold. In the absence of such debt, funds may generally be used for purposes for which the city or town is authorized to borrow for a period of five years or more.

Schedule A --A statement of revenues, expenditures and other financing sources, uses, changes in fund balance and certain balance sheet account information prepared annually by the accountant or auditor at the end of the fiscal year. This report is based on the fund account numbers and classifications contained in the UMAS manual.

School Building Assistance Program (SBA)-- Established in 1948 and frequently revised by statutory amendments, this state program reimburses cities, towns, and regional school districts varying percentages of their school construction costs depending on the wealth of the community or district and the category of reimbursement. The DOE administers the SBA program.

Security -- For Massachusetts' municipalities, bonds or notes evidencing a legal debt on the part of the issuer.

Short-Term Debt -- Outstanding balance, at any given time, on amounts borrowed with a maturity date of 12 months or less. (See Note).

Sick Leave Buyback -- A community's obligation, under collective bargaining agreements or personnel board policies, to compensate retiring employees for the value of all, or a percentage of, sick time earned, but not used.

Single Audit Act -- For any community which expends \$300,000 or more per year in federal grant awards, the Single Audit Act establishes audit guidelines that reduce to only one the

number of annual audits to be completed to satisfy the requirements of the various federal agencies from which grants have been received.

Small Commercial Exemption -- A property tax classification option where a community may exempt up to 10 percent of the value of Class Three, Commercial parcels. In effect, the option shifts the tax burden from parcels occupied by small businesses to those occupied by other commercial and industrial taxpayers. Eligible small businesses have an average annual employment of no more than ten persons. (See Information Guideline Release 00-403).

Special Assessment -- (See Betterments).

Special Assessment Exemption -- Full discharge from the payment of betterments and special exemptions granted only to government properties occupied for public purposes.

Special Exclusion -- For a few limited capital purposes, a community may exceed its levy limit or levy ceiling without voter approval. Presently, there are two special expenditure exclusions: 1) water and sewer project debt service costs which reduce the water and sewer rates by the same amount; and 2) a program to assist homeowners to repair or replace faulty septic systems, remove underground fuel storage tanks, or remove dangerous levels of lead paint to meet public health and safety code requirements. In the second special exclusion, homeowners repay the municipality for the cost plus interest apportioned over a period of time, not to exceed 20 years (similar to betterments).

Special Purpose Fund -- Money set aside by appropriation for specific purposes authorized by statute only. Money remains in the fund from year-to-year, but unlike special revenue fund balances, can be diverted to other uses by vote of the appropriating authority.

Special Revenue Fund -- Funds, established by statute only, containing revenues that are earmarked for and restricted to expenditures for specific purposes. Special revenue funds include receipts reserved for appropriation, revolving funds, grants from governmental entities and gifts from private individuals or organizations.

Stabilization Fund -- A fund designed to accumulate amounts for capital and other future spending purposes, although it may be

appropriated for any lawful purpose. (MGL Ch. 40 §5B). Communities may appropriate into this fund in any year an amount not to exceed ten percent of the prior year's tax levy or a larger amount with the approval of the Emergency Finance Board. The aggregate of the stabilization fund shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the fund. A two-thirds vote of town meeting or city council is required to appropriate money from the stabilization fund.

State Aid Anticipation Note (SAAN) -- A short-term loan issued in anticipation of a state grant or aid (MGL Ch. 44 §6A).

State House Notes -- Debt instruments for cities, towns, counties and districts certified by the Director of Accounts. State House Notes, payable annually, are usually limited to maturities of five years and principal amounts of \$2,250,000. The notes are attractive, more often to smaller communities, because certification fees are low, neither an official statement nor full disclosure is required, and they are issued in a short period of time.

State Receivership -- (See Finance Control Board).

Surcharge -- An incremental increase in a particular, already existing charge, that is, an amount added to a tax, a fee, a fine or penalty.

Surety Bond -- A performance bond that protects the municipality against any financial loss arising from a breach of public trust by an employee who collects money on behalf of the community.

Surplus Revenue -- The amount by which cash, accounts receivable, and other assets exceed liabilities and reserves.

Sweep Account -- A municipal bank account from which the host financial institution electronically transfers all or part of the balance over a specified threshold to a temporary investment elsewhere for the benefit of a higher, overnight investment return. At the end of the overnight investment period, the funds are returned to the municipal account and are available for use. (See Overnight Repurchase Agreements).

Tailings – Unclaimed municipal funds, or a repository, referred to as a "tailings account," for the retention, until eventual disposition, of unclaimed funds in the custody of a municipality. Tailings might include unclaimed tax refunds, vendor payments yet to clear, overages on the community's commitment, etc. (MGL Ch. 200A) (See unclaimed checks).

Tax Anticipation Notes -- A short-term note issued to provide cash to cover operating expenses in anticipation of tax proceeds.

Tax Maps -- Used to determine the location of the property, indicate the size and shape of each parcel, and show its relation to features that affect value. Maps also provide a complete inventory of all land parcels, helping to minimize the problems of omitted parcels and duplication of listing. Also referred to as assessors' maps.

Tax Rate -- The amount of property tax stated in terms of a unit of the municipal tax base; for example, \$14.80 per \$1,000 of assessed valuation of taxable real and personal property.

Tax Rate Recapitulation Sheet (Recap Sheet) -- A document submitted by a city or town to the DOR in order to set a property tax rate. The recap sheet shows all estimated revenues and actual appropriations that affect the property tax rate. The recap sheet should be submitted to the DOR by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (in order to issue the third quarterly property tax bills before January 1).

Tax Title – A collection procedure that secures a city or town's lien on real property and protects the municipality's right to payment of overdue property taxes. Otherwise, the lien expires if five years elapse from the January 1 assessment date and the property has been transferred to another owner. If amounts remain outstanding on the property after issuing a demand for overdue property taxes and after publishing a notice of tax taking, the collector may take the property for the city or town. After properly recording the instrument of taking, the collector transfers responsibility for collecting the overdue amounts to the treasurer. After six months, the treasurer may initiate foreclosure proceedings.

Tax Title Foreclosure -- The procedure initiated in Land Court by a city or town treasurer to

obtain legal title to real property already in tax title and on which property taxes are over due.

Tax Title Redemption -- The act of a property owner to pay overdue taxes, plus any fees, charges, other costs and interest, on real property which the community had placed in tax title to secure its lien. The taxpayer's right to redeem terminates when the treasurer files a petition to foreclose on the property in the Land Court.

Teachers' Pay Deferral -- Option available under the 1993 Education Reform Law allowing communities to defer further contributions to teachers retirement funds until 1997, after which the full obligation must be satisfied in no more than 15 years.

Technical Assistance Bureau - Part of MDM/TA, the Technical Assistance Bureau completes financial management reviews for cities and towns, and is otherwise available to advise finance officers and administrators on sound financial management practices.

Temporary Debt -- Borrowing by a community in the form of notes and for a term of one year or less. (See Short Term Debt).

Tax Incremental Financing Exemption (TIF) -- A property tax exemption negotiated between a community and a private developer, typically implemented over a period up to 20 years, and intended to encourage industrial/commercial development.

Triennial Certification --The Commissioner of Revenue, through the Bureau of Local Assessment, is required to review local assessed values every three years and to certify that they represent full and fair cash value (FFCV). Refer to MGL Ch. 40 §56 and Ch. 59 §2A(c).

Trust Fund -- In general, a fund for money donated or transferred to a municipality with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by trust agreements, as directed by the commissioners of trust funds or by town meeting. (See Expendable Trust and Non-Expendable Trust).

Turnover Sheet -- A form, completed by municipal departments, that accompanies the physical transfer of departmental revenues, or

bank deposit slips reflecting revenues, to the treasurer.

Unclaimed Checks -- (See Tailings)

Uncollected Funds -- Recently deposited checks, included in an account's balance, but drawn on other banks and not yet credited by the Federal Reserve Bank or local clearinghouse to the bank cashing the checks. These funds may not be loaned or used as part of the bank's reserves, and they are not available for disbursement.

Underride -- A vote by a community to permanently decrease the tax levy limit. As such, it is the exact opposite of an override.

Undesignated Fund Balance -- Monies in the various government funds as of June 30 which are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash. (See Designated Fund Balance).

Unfunded Mandate -- A requirement imposed by law, regulation or order without underlying financial support, thereby resulting in direct or indirect costs to the body made responsible for its implementation.

Unfunded Pension Liability -- Unfunded pension liability is the difference between the value assigned to the retirement benefits already earned by a municipality's employees and the assets the local retirement system will have on hand to meet these obligations. The dollar value of the unfunded pension liability is re-determined every three years and is driven by assumptions about interest rates at which a retirement system's assets will grow and the rate of future costs of living increases to pensioners.

Uniform Municipal Accounting System (UMAS) -- UMAS succeeds the so-called Statutory System (STAT) and is regarded as the professional standard for municipal accounting in Massachusetts. As a uniform system for local governments, it conforms to Generally Accepted Accounting Principles (GAAP), offers increased consistency in reporting and record keeping, as well as enhanced comparability of data among cities and towns.

Uniform Procurement Act -- Enacted in 1990, MGL Ch. 30B establishes uniform procedures

for local government to use when contracting for supplies, equipment, services and real estate. The act is implemented through the Office of the Inspector General. (See Massachusetts Certified Public Purchasing Official).

Unreserved Fund Balance (Surplus Revenue Account) -- The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash).

User Charges/Fees -- A municipal funding source where payment is collected from the user of a service to help defray the cost of providing the service. Note that any increases in the fees must satisfy the three tests set forth in the so-called Emerson case. See *Emerson College v. Boston*, 391 Mass. 415 (1984); also DOR IGR 88-207.

Valuation (100 percent) -- The legal requirement that a community's assessed value on property must reflect its market, or full and fair cash value.

Voucher -- A document or form authorizing the holder to redeem it for cash or credit in an amount certain.

Warrant -- An authorization for an action. For example, a town meeting warrant establishes the matters that may be acted on by that town meeting. A treasury warrant authorizes the treasurer to pay specific bills. The assessors' warrant authorizes the tax collector to collect taxes in the amount and from the persons listed, respectively.

Water Surplus -- For water departments operating under MGL Ch. 41 §69B, any unspent water appropriations or revenues in excess of estimated water receipts close-out to a water surplus account. Water surplus may be appropriated to fund water-related general and capital expenses or to reduce water rates.

Waterways Improvement Fund -- An account into which fifty percent of boat excise tax receipts are deposited. Use of these proceeds is

limited to certain waterway expenses as outlined in MGL Ch. 40 §5G.

Wire Transfer -- The electronic authorization crediting money from one bank or financial institution account to another.

Zero Based Budget -- A budget building technique where each department begins at zero and adds the cost of essential programs up to an established funding limit. Each year the process begins again at zero prompting close scrutiny and prioritization of costs annually.

Commonly Used Acronyms

ASR - Assessment to Sale Price Ratio

ATB - Appellate Tax Board

ATFC - Association of Town Finance Committees

BAN - Bond Anticipation Note

BLA - Bureau of Local Assessment

BOA - Bureau of Accounts

CAMA - Computer Assisted Mass Appraisal

CD - Certificate of Deposit

CIP - Commercial, Industrial, Personal Property

CMR - Code of Massachusetts Regulations

COD - Coefficient of Dispersion

CPI - Consumer Price Index

DLS - Division of Local Services

DOE - Department of Education

DOR - Department of Revenue

EMAB - Education Management Accountability Board

EQV - Equalized Valuation

FFCV - Full and Fair Cash Value

FY - Fiscal Year

GAAP - Generally Accepted Accounting Principles

GASB - Government Accounting Standards Board

HUD - U.S. Department of Housing and Urban Development

IAAO - International Association of Assessing Officers

IG - Inspector General

IGR - Informational Guideline Release

LGAC - Local Government Advisory Committee

MAAO - Massachusetts Association of Assessing Officers

MCTA - Massachusetts Collectors and Treasurers Association

MDM/TAB - Municipal Data Management/Technical Assistance Bureau

MGL - Massachusetts General Laws

MGFOA - Massachusetts Government Finance Officers Association

MHD - Massachusetts Highway Department

MMA - Massachusetts Municipal Association

MMAAA -- Massachusetts Municipal Auditors and Accountants Association

MMDT - Massachusetts Municipal Depository Trust

MRF - Minimum Residential Factor

MRGF - Municipal Revenue Growth Factor

MVE - Motor Vehicle Excise

NSS - Net School Spending

PTB - Property Tax Bureau

RAN - Revenue Anticipation Note

RCNLD – Replacement Cost New Less Depreciation

RFR – Request for Responses

SAAN - State Aid Anticipation Note

SBA - School Building Assistance

SOL - State Owned Land

STF – State Tax Form

TAN - Tax Anticipation Note

TIF – Tax Increment Financing

UMAS – Uniform Municipal Accounting System

WWW - World Wide Web
