



Glossary – Common Municipal Finance 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.

Agency Fund – This is one of four types of fiduciary funds. It is used to report resources 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)

Assessed Valuation – A value assigned to real estate or other property by a government as the basis for levying taxes.

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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 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. It is almost always accompanied by a management letter.

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

Betterment – Communities may provide financial assistance to homeowners for the repair, replacement, or upgrade to

failed septic systems using Betterment Agreements. On-site sewage disposal systems options include conventional septic systems (Title 5) as well as Innovative/Alternative (I/A) systems or connection to an existing sewer, if available.

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 General Obligation Bond, or Note)

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 Massachusetts School Building Authority (MSBA) 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 select board. (See Bond Issue)

Bond Premium – The difference between the market price of a bond and its face value (when the market price is higher). A premium will occur when the bond's stated interest rate is set higher than the true interest cost (the market rate). Additions to the levy limit for a Proposition 2½ debt exclusion are restricted to the true interest cost incurred to finance the excluded project. Premiums received at the time of sale must be offset against the stated interest cost in computing the debt exclusion. If receipt of the premium and the payment of interest at maturity of an excluded debt occur in different fiscal years, reservation of the premium for future year's debt service is required at the end of the fiscal year when the premium was received. (See DOR Bulletin 2003-20B) Muni Mod Act

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's, 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.

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.

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)

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.

Business-Type Activities – One of two classes of activities reported in the GASB 34 government-wide financial statements. These activities are financed in whole or in part by fees charged to users for goods or services. Some examples are enterprise (MGL Chapter 44 §53F½), special revenue (MGL Ch. 44 §69B) water, and municipal electric fund.

CAMA – Computer-Assisted Mass Appraisal software program.

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 or rates, and identify those items that were not recommended. (See Capital Asset, Fixed Asset)

Capital Improvements Program (CIP) – 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 Expenditure Fund (CapEx) – Fund type used to account for financial resources to be used for capital purchases and/or the acquisition, renovation or construction of major capital facilities.

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 full and fair cash value (FFCV). (See Quinquennial Certification)

Chapter 70 (State 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 from 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. Later, on the submission of certified expenditure reports to MHD, communities receive cost reimbursements to the limit of the grant.

Chapter Land – Forest, agricultural/horticultural, and recreational lands classified, valued and taxed according to MGL Chapters 61, 61A, and 61B.

Cherry Sheet – 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 that provide funds for costs incurred during a prior period for certain programs or services. Links to the Cherry Sheets are located on the DLS website at www.mass.gov/dls. (See Cherry Sheet Assessments, Estimated Receipts)

Cherry Sheet Assessments – Estimates of annual charges to cover the cost of certain state and county programs.

Cherry Sheet Offsets – 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 Offset Receipts)

CIP – Can refer to an abbreviation for “Commercial, Industrial, and Personal” properties by the Bureau of Local Assessment (BLA). It also can refer to “Capital Improvements Program.”

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 – This establishes the liability for individual taxpayers. For example, the assessors' commitment of real estate taxes fixes the amount that the collector will bill and collect from property owners.

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 of Living Adjustment (COLA) – It is often used 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 a community's ability to pay, but is sometimes tied to the annual change in a specified index, i.e., consumer price index (CPI). In Massachusetts, it is also used in the Optional Cost of Living Adjustment for Property Exemptions.

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 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 5 percent of EQV. By petition to the Municipal Finance Oversight Board, cities and towns can receive approval to increase their debt limit to 10 percent of EQV.

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.

Demand Letter – Notice to a delinquent taxpayer of overdue taxes or charges typically mailed soon after payment period has ended. While it is a courtesy, there is no requirement to issue correspondence of this type.

DESE – Department of Elementary & Secondary Education (formerly Department of Education, DOE)

DLS – Division of Local Services; a division of DOR (below)

DOR – Department of Revenue; also known as MassDOR

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.

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

Enterprise Fund – 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 net assets unrestricted 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. See DOR IGR 08-101

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 Levy Capacity – The difference between the levy limit and the amount of real and personal property taxes actually levied in a given year.

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 disabled veterans, blind individuals, surviving spouses, and seniors.

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

Fair Market Value – (See Full and Fair Cash Value)

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 pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

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 (FY) – 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. Since 1976, the federal government fiscal year has begun on 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.

Free Cash – 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.

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.

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

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

General Ledger – The Town 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.

Government Finance Officers Association (GFOA) – A nationwide association of public finance professionals.

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

Governmental Funds – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

International City/County Manager Association (ICMA) – An international association of professional city and county managers who serve local governments.

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 arises most often in the context of enterprise funds. (Support Services)

Informational Guideline Release (IGR) – A DLS publication that outlines a policy, administrative procedure, or provides a law update related to municipal finance. Refer to online listing of IGRs.

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 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 is also charged on overdue Real Estate, Personal Property, and Motor Vehicle Excise tax bills, per statute.

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. In between quinquennial revaluations, a community must complete an annual analysis to determine whether an interim year value adjustment is warranted and report the results to BLA. Depending on market conditions and property value trends, adjustments may increase, decrease or leave values unchanged. (See IGR No. 05-401)

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.

Line-Item Transfer – The reallocation of a budget appropriation between two line-items within an expenditure category (e.g., 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 approves.

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 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. (See Estimated Receipts)

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

Market Value – (See Full and Fair Cash Value)

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

Massachusetts Association of Assessing Officers (MAAO) – A professional organization for individuals who are assessors in Massachusetts.

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

Massachusetts Collectors and Treasurers Association (MCTA) – A professional organization for individuals who are municipal tax collectors or treasurers in Massachusetts.

Massachusetts Government Finance Officers Association (MGFOA) – A professional organization promoting the advancement of the profession of Public Finance in Massachusetts.

Massachusetts Interlocal Insurance Association (MIIA) – A non-profit organization serving over 400 municipalities in the Commonwealth in obtaining appropriate insurance and liability coverage.

Massachusetts Municipal Association (MMA) – A statewide organization for bringing together municipal officials to develop and advocate uniform policies and share information about providing municipal services.

Massachusetts Municipal Auditors and Accountants Association (MMAAA) – A professional organization for individuals who are municipal auditors or accountants and others with an interest in these activities in Massachusetts.

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.

Massachusetts School Building Authority (MSBA) – Administers the state program that 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. Projects that received their first reimbursement payment prior to July 26, 2004 will continue to get annual state payments to offset the related annual debt service. Thereafter, cities, towns, and regional school districts will receive a lump sum amount representing the state's share of the eligible project costs. (See DOR IGR 06- 101)

Massachusetts Teachers Retirement System (MTRS) – Established on July 1, 1914, MTRS is the largest retirement system in the Commonwealth. System provides retirement, disability and survivor benefits for more than 94,000 active educators and over 67,000 retirees and survivors.

MGL – Massachusetts General Laws

Middlesex County Retirement System (MCRS) – Created by an Act of the Legislature in 1911, MCRS is the 4th largest of the 104 retirement systems in the Commonwealth. System provides retirement, disability and survivor benefits to approximately 6,000 retirees and 10,000 active employees of 31 Towns and 40 Districts and Authorities within Middlesex County.

Motor Vehicle Excise (MVE) – A locally imposed annual tax assessed to owners of motor vehicles registered to an address within the community, in accordance with MGL Chapter 60A. The excise tax rate is set by statute at \$25.00 per \$1,000 of vehicle value, and the value (manufacturer's list price, or MSRP) follows a sliding scale from year of manufacture of 90% in year one, 60% in second year, 40% in third year, 25% in fourth year, and 10% of MSRP.

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). (See 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.

OPEB (Other Postemployment Benefits) – Employees of state and local governments may be compensated in a variety of forms in exchange for their services. In addition to a salary, many employees earn benefits over their years of service that will not be received until after their employment with the government ends. The most common type of these postemployment benefits is a pension. Postemployment benefits other than pensions generally take the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. They may also include some type of life insurance. As a group, these are referred to as OPEB. (See GASB 45)

Operating Budget (or Omnibus 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. Debt incurred that 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)

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.

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.

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 Underride)

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.

Penalties – Penalties imposed by statute for the late payment of bills; typically known as demand fees, late fees, and/or warrant fees.

Pension (and other employee benefit) Trust Funds – A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit (OPEB) plans, or other employee benefit plans.

Public Employee Retirement Administration (PERAC) – Oversees and directs the state retirement system and administers benefits for members.

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.

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.

Procurement Officer – An individual defined under MGL Ch. 30B, §2 and authorized to procure supplies or services for a governmental body. (Also known as Purchasing Agent)

Proposition 2½ – A state law enacted in 1980, Proposition 2½ regulates local property tax administration and limits the amount of revenue a city or town may raise from local property taxes each year to fund municipal operations.

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.

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

Quinquennial Certification – The Commissioner of Revenue, through the Bureau of Local Assessment, is required to review local assessed values every five years and to certify that they represent full and fair cash value (FFCV). Refer to MGL Ch.40 §56 and Ch. 59 §2A(c). Was formerly a Triennial Certification, prior to the Municipal Modernization Act.

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.

Receivables – An expectation of payment of an amount accruing to the benefit of a city or town.

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)

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 – A municipality can grant a residential exemption of a dollar amount that cannot exceed 20 percent of the average assessed value of all residential class properties. The exemption reduces, by the adopted percentage, the taxable valuation of each residential parcel that is a taxpayer's principal residence. Granting the exemption raises the residential tax rate and shifts the residential tax burden from moderately valued homes to apartments, summer homes and higher valued homes.

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.

Retained Earnings – (See Enterprise Funds)

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.

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.

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.

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

Single Audit Act – For any community that expends \$500,000 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.

SOL – State Owned Land

Special Assessment – Used to account for the financing and expenditure of public improvements or services which primarily benefit the particular taxpayers against whose properties special assessments are levied. Can include a betterment (see Betterment).

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 any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund. (See DOR IGR 04-201)

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

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) (Also known as Unclaimed Checks)

Tax Increment Financing Exemption (TIF) – In accordance with MGL Chapter 59 §5(51), 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. (See DOR IGR 94-201)

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.

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 semi-annual 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 (or Tax Taking) – 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.

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

Triennial Certification – The Commissioner of Revenue, through the Bureau of Local Assessment, was formerly 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). Change through the Municipal Modernization Act, now see Quinquennial Certification.

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. Both principal and interest may be used if the trust is established as an expendable trust. For non- expendable trust funds, only interest (not principal) may be expended as directed.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 (or "Net") OPEB Liability – This is the difference between the value assigned to the benefits (other than retirement) already earned by a municipality's employees and the assets the local government will have on hand to meet these obligations. While there is no legal requirement in Massachusetts to fund this liability, GASB 45 requires that the dollar value of the unfunded OPEB liability is determined every two years. (See GASB; OPEB)

Unfunded (or “Net”) 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 redetermined every two 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.

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 Emerson case. (See Emerson College v. Boston, 391 Mass. 415 (1984))

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

Warrant – An authorization for an action. For example, a town meeting warrant establishes the matters that may be acted on by that town meeting, and a payroll and/or accounts payable warrant authorizes the Town and/or schools to pay specific bills.