

## Glossary of Terms



To be consistent in the definitions of terms as they are used in Massachusetts, the definitions are provided by the Massachusetts Department of Revenue, Municipal Knowledge Base.

- 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. Weston has an Open Town Meeting with a 3-member Board of Selectmen form of government.
- 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.
- 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.
- 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 onetime costs. Examples of available funds include free cash, stabilization fund; overlay surplus, water surplus, enterprise net assets, unrestricted (formerly retained earnings).
- Balance Sheet* A statement that discloses the assets, liabilities, reserves, and equities of a fund or governmental unit at a specified date.
- Bond Authorization* 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. In Weston, the Board of Selectmen authorizes the issuance of all bonds.
- Bond Rating* 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 Poors 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. Weston maintains AAA rating.
- Budget* A plan for allocating resources to support particular services, purposes and functions over a specified period of time.

- 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.
- Capital Improvement 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.
- Cash Receipts* Any money received by a municipality or its departments whether by cash, check or electronic transfer.
- Chapter 70 School Funds* 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.
- 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 that provide funds for costs incurred during a prior period for certain programs or services.
- CMR* General Laws of Massachusetts Chapter 30A: Section 6A. Code of Massachusetts regulations; first publication. Section 6A. Prior to publication of the first issue of the Massachusetts Register, the state secretary shall first cause to be published all currently effective agency regulations in a special publication of the Massachusetts Register to be designated as the "Code of Massachusetts Regulations".
- 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. Weston Public Schools has six (6) bargaining units: Weston Education Association (WEA), Weston Aides and Paraprofessional Association (WAPA), American Federation of State, County, Municipal Employees, AFL-CIO (AFSCME Building and Grounds and AFSCME Cafeteria), Weston School Bus Drivers Association (WSBDA) and the Weston Educational Administrative Assistants Association (WEAAA).
- Community Preservation Act* 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, preservation, rehabilitation, and restoration of historic resources; and c) the acquisition, creation and preservation of land for recreational use; d) the creation, preservation and support of community housing; and e) the rehabilitation and restoration of open space, land for recreational use and community housing that is acquired or created using monies from the fund. 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. Weston's surcharge is 3%.

<i>Cost of Living Adjustment</i>	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 a community's ability to pay, but is sometimes tied to the annual change in a specified index, i.e., consumer price index (CPI).
<i>Debt Authorization</i>	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.
<i>Debt Exclusion</i>	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, and 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.
<i>Debt Limit</i>	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 Equalized Value (EQV) for a city and 5 percent of EQV for a town. By petition to the Municipal Oversight Board, cities and towns can receive approval to increase their debt limit to 5 and 10 percent of EQV, respectively.
<i>Deferred Revenue</i>	Amounts that do not meet the criteria for revenue recognition. Also, earned amounts that are not yet available to liquidate liabilities of a current period.
<i>DESE</i>	State department providing resources to school administrators, teachers, students and parents in Massachusetts. The DESE Finance section deals with a wide range of school finance issues and takes a major role in determining state aid to municipalities for education via the Local Aid projects that make up the Cherry Sheet process.
<i>DOR</i>	State department responsible for collecting a wide variety of taxes, providing taxpayer support, and administering programs related to municipal finance through the Division of Local Services (DLS).
<i>DLS</i>	A division within the DOR (Department of Revenue) responsible for helping Massachusetts cities and towns achieve sound and efficient fiscal management through technical assistance, training, and oversight. DLS bureaus are responsible for ensuring the fairness and equity of local property taxation, the accuracy and quality of local accounting and treasury management, interpreting state laws that affect local governance, distributing local aid, maintaining a comprehensive databank on local finances, and auditing local school districts.
<i>Education Reform Act of 1993</i>	State law that authorized the seven-year, Chapter 70 funding program for education and that established spending targets for school districts as a means to remedy educational inequities.
<i>Encumbrance</i>	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.

<i>Estimated Receipts</i>	A term that typically refers to anticipated local revenues listed on page three of the Tax Recapitulation Sheet. Projects of local revenues are often based on the previous year's receipts and represent funding sources necessary to support a community's annual budget.
<i>Excess Levy Capacity</i>	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.
<i>Expenditure</i>	An outlay of money made by municipalities to provide the programs and services within their approved budget.
<i>Expense</i>	An identified cost incurred to accomplish a particular goal.
<i>Financial Statement</i>	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.
<i>Fiscal Year</i>	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.
<i>Fixed Assets</i>	Long-lived, tangible assets such as buildings, equipment and land obtained or controlled as a result of past transactions or circumstances.
<i>Foundation Budget</i>	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.
<i>Free Cash</i>	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.
<i>Fund Accounting</i>	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.
<i>General Fund</i>	The fund used to account for most financial resources and activities governed by the normal town meeting/city council appropriation process.

<i>General Ledger</i>	The accountant's record of original entry, which is instrumental in forming a paper trail of all government financial activity.
<i>General Obligation Bonds</i>	Bonds issued by a municipality for purposes allowed by statute that are backed by the full faith and credit of its taxing authority.
<i>Governmental Funds</i>	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.
<i>Internal Control Structure</i>	The policies and procedures established by management to ensure the integrity and comprehensiveness of the data collected by the accounting system for use in internal and external financial reports, as well as the overall control environment in which the government operates.
<i>Levy</i>	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.
<i>Levy Ceiling</i>	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.
<i>Levy Limit</i>	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.
<i>Line Item Budget</i>	A budget that separates spending into categories, or greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.
<i>Line Item Transfer</i>	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.
<i>Local Aid</i>	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.
<i>Local Receipts</i>	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.

<i>Maintenance Budget</i>	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.
<i>MGL</i>	Laws passed by the Massachusetts legislature. The MGL is organized by chapters with multiple sections in each chapter. Currently there are 282 chapters.
<i>Modified Accrual Basis of Accounting</i>	A method of accounting that recognizes revenues in the accounting period in which they become available and measurable.
<i>MRGF</i>	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).
<i>NSS</i>	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 Massachusetts Department of Elementary and Secondary Education (MA DESE) (Education Reform Act of 1993).
<i>New Growth</i>	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 FY06 is based on new construction, etc. that occurred between January and December 2004. In the fall of 2005, when new growth is being estimated to set the FY06 levy limit, the FY05 tax rate is used in the calculation.
<i>Objects of Expenditures</i>	A classification of expenditures that is used for coding any department disbursement, such as "personal services," "expenses," or "capital outlay".
<i>Operating Budget</i>	A plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year.
<i>Override</i>	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.
<i>Personal Property Tax</i>	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.
<i>Program Budget</i>	A budget that relates expenditures to the programs they fund. The emphasis of a program budget is on output.

- Proposition 2 ½* State law enacted in 1980 that regulates local property tax administration. Major provisions of this legislation are located in MGL Ch 59 - Assessment of Local Taxes § 21C and relate to the determination of a levy limit and levy ceiling for each town.
- Purchase Order* An official document or form authorizing the purchase of products and services.
- Receipts* Money collected by and within the control of a community from any source and for any purpose.
- Requisition* Form used by the requesting department when ordering products and services from external vendors. This document generates a Purchase Order.
- 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.
- Tax Rate* The amount of property tax stated in terms of a unit of the municipal tax base; for example, \$12.40 per \$1,000 of assessed valuation of taxable real and personal property.
- 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.
- 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.
- 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.