

GLOSSARY OF FINANCIAL TERMS

- Abatement** A complete or partial cancellation of a levy imposed by a governmental unit; applicable to tax levies and special assessments
- Appropriation** An authorization granted by the Legislative Body (town meeting) to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and the time when it can be expended. Only a vote of town meeting or the school committee can authorize money appropriated for one purpose to be used for another. Any amount appropriated may be encumbered. Any part of the general appropriation not spent or encumbered by June 30 automatically reverts to surplus.
- Assessed Valuation** The value placed on a particular property by the local Board of Assessors for the purpose of apportioning the town's tax levy among individual property owners equitably and in accordance with the legal requirements that property be assessed at "full and fair cash value", certified periodically by the Commonwealth's Commissioner of Revenue, no less frequently than once every three years.
- Audit** Work done by accountants in examining financial reports, reviewing compliance with applicable laws and regulations, reviewing efficiency and economy of operations and reviewing effectiveness in achieving program results. A basic audit examines only the financial reports and legal compliance. An outside certified public accountant (CPS) audit is directed primarily toward that expression of an opinion as to the fairness of the financial statements, and submission of a management letter. An auditor must be independent of the executive branch of government. A State Auditor, private CPA or public accountant, or elected auditor meets this test.
- Balance Sheet** A statement that discloses the assets, liabilities, reserves and equities of a fund or government unit at a specified date.

Budget	A plan of financial operation embodying an estimated of proposed expenditures for a given period and the proposed means of financing them. A budget may be preliminary (the financial plan presented to the town meeting) or final (the plan approved by that body)
Capital Budget	A plan of proposed capital outlays and the means of financial them for the current fiscal period. When capital spending is done over a multi year period it is deemed part of the capital program.
Cherry Sheet	An annual statement received from the Massachusetts Department of Revenue detailing estimated receipts for the next fiscal year from the various state aid accounts and estimated state and county charges payable to the state. The actual receipts and charges may vary from the estimates.
Classification	The division of real estate tax by the Selectmen into one rate for residences, another for business, and another for open space.
Debt Service	Payment of interest and principal related to long term debt.
Encumbrance	Obligations such as purchase orders, contracts or salary commitments that are chargeable to an appropriation and for which a part of the appropriation is reserved.
Enterprise Fund	A fiscal entity with a self-balancing set of accounts that is utilized to account for a governmental service when it is the intent to recover the total cost of service primarily through user charges.
Expenditure	The spending of money by the town for the programs or projects within the approve budget
Fiscal Year	A 12-month period, commencing July 1 and ending on June 30, to which the annual budget applies and at the end of which a governmental unit determines the financial position and the results of its operations. The number of the fiscal is that of the calendar year in which it ends: FY 15 is the fiscal year that ends on June 30, 2015.

Free Cash	Now referred to as “undesignated fund balance.” Certified each July 1 by the state, this is the portion of fund balance available for appropriation. It is not cash, but rather is approximately the total of cash and receivables less current liabilities and earmarked reserves, reduced also by reserves for uncollected taxes.
Fund	An accounting entity with a self-balancing set of accounts segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.
General Fund	The fund into which the general (non-earmarked) revenues of the town are deposited and from which the money is appropriated to pay expenses.
Overlay	The amount raised in excess of appropriations and other charges. It is used to cover abatements and exemptions granted locally or on appeal.
Override	A vote to increase the amount of property tax revenue that may be raised over the levy limit.
Personal Services	The cost of salaries, wages and related employment benefits.
Property Tax Levy	The amount produced by multiplying the assessed valuation of property by the tax rate. The tax rate is expressed per thousand dollars of assessed valuation, for example: House Value: \$200,000 Tax Rate: \$10 (which means \$10 per thousand of valuation) Levy: \$10 multiplied by \$200,000 and divided by \$1,000 Result: \$2,000 (on this particular owner)
Reserve Fund	This is a reserve account established by vote at annual town meeting for the purpose of funding any unforeseen and extraordinary expenses that occur during the fiscal year. Funds are transferred to individual departments only upon recommendation of the Finance Committee.

Revolving Fund

Funds that may be used without appropriation and that are established for special uses. Fees, as for recreation, may be paid into a revolving fund. Revolving funds are established by state law or town by-law.

Tax Levy

Total amount of dollars assessed in property taxes imposed by the Town each fiscal year.

**Undesignated Fund
Balance or Surplus
Revenue Account**

The amount by which cash, accounts receivable and other assets exceed liabilities and restricted reserves. It is akin to the stock holders 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)

Warrant

A list of items or articles to be voted on at Town Meeting.