



Mayor Terence Murphy

City of Holyoke

Law Department

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September 2, 2021

Honorable Councilors
of the City Council
City Council Chambers
536 Dwight Street
Holyoke, MA 01040

Dear Honorable Councilors:

Attached herewith for your consideration, is my legal opinion, together with two (2) Municipal Finance Glossaries published by the Massachusetts Department of Revenue through the Division of Local Services and which define the term "appropriation", in response to the question that you have regarding the procedure required to increase the city's sewer rate.

Also attached for your consideration, is an Ordinance changing the sewer rate set forth in the Holyoke City Code, Chapter 90, Article III, Division 1, Section 90-90.

I hope that my legal opinion answers your question.

Very truly yours,

Kathleen E. Degnan
Assistant City Solicitor
Enclosures (4)



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September 1, 2021

Honorable Members of the Holyoke City Council

During your meeting on August 3, 2021, the Holyoke City Council discussed a report from the Ordinance Committee regarding an increase in the city's sewer rate. More specifically, during its July 28, 2021 meeting, the Ordinance Committee conducted a Public Hearing on an order referred to it by City Council raising the sewer fee to a minimum of \$8.05 per 1,000 gallons. According to the City Council agenda in the "Reports of Committees" section, Item Number 31H, the Ordinance Committee recommended that said order be adopted with an amendment to \$7.77 per 1,000 gallons rather than the \$8.05 per gallon rate set forth in the order.

I note that, during the City Council meeting, there were statements made that the Ordinance Committee gave several options as to the amount of such an increase.¹ In addition to discussions as to the amount of the increase, there was much discussion as to whether the measure required a majority or a 2/3 supermajority to pass any increase in the sewer rate. There was more than one vote on each option suggested by the Ordinance Committee to determine whether a supermajority existed regarding each option. No option received a supermajority vote. Given the dispute regarding the number of votes necessary to either increase the sewer rate or keep the status quo, the City Council referred the procedural question to this office. I note that during the meeting and prior to the attempt to determine whether a supermajority existed, the option of increasing the sewer rate from \$6.65 to \$7.77 was approved by a majority vote of 7 to 6.

According to the Holyoke City Code, Chapter 90, Article III, Division 1, Section 90-90, Subsections (a) and (b) of the Holyoke City Code, Subsection (a) provides that **the City Council shall establish the sewer rate charge by ordinance**, and at present, subsection (b) provides that the sewer rate is "\$5.40 per 1,000 gallons of water with a minimum quarterly rate of \$5.00." (**Emphasis added**). Since the City Council has the power to establish the city's sewer rate by ordinance, it is clear that there must be an ordinance change, and further that the City Council Rule 37 is the correct rule as to the procedure to be followed to effectuate an ordinance change.

During the meeting, there was discussion regarding the applicability of City Council Rule 35 and Rule 45. Rule 35 provides that:

"Any ordinance, order, resolution, or vote involving the **appropriation or expenditure** of money to an amount which may exceed two hundred dollars, shall require for its passage the affirmative votes of a majority of all members of the City Council." (**Emphasis added**).

¹ I note that I did not receive a copy of the report submitted to the City Council by the Ordinance Committee.



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Both the Massachusetts Department of Revenue through the Division of Local Services define "appropriation" as:

"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 the Municipal Finance Glossary Dated May 2008 and January 2020, copies of which are attached.²

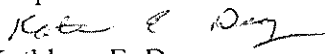
As stated previously herein, the vote was to increase the sewer rate charge. It was not an appropriation as defined by the Massachusetts Department of Revenue. Having said this, I opine that City Council Rule 35 is not applicable to this situation.

With respect to City Council Rule 45, this rule applies to orders, and as I have previously stated, the sewer rate may only be changed by ordinance. So, for the purpose of compliance with Section 90-90, Rule 45 is not applicable.

City Council Rule 37 and Rule 38 sets forth the procedure for passing an ordinance, and in my view, is the correct rule for changing the ordinance governing sewer rate charges.

The bottom line is that the City Council must approve the attached ordinance by two (2) majority votes and then a final vote to ordain by a supermajority vote.

I hope that I have answered your questions. Please feel free to call me if you have any questions.


Kathleen E. Degnan
Assistant City Solicitor

² I note that the Massachusetts Department of Revenue refers the reader to look at the definition of Encumbrance Line-Item Transfer, and Free Cash. I also note that the Massachusetts Legislature within Massachusetts General Laws, Chapter 29, Section 1 similarly defines the term "appropriation."

IN THE YEAR TWO THOUSAND AND TWENTY-ONE

SEVENTH AMENDMENT TO CHAPTER 90 OF THE REVISED CODE OF ORDINANCES OF THE CITY OF HOLYOKE, MASSACHUSETTS 1997

AN ORDINANCE

Be it ordained by the City Council of the City of Holyoke as follows:

SECTION 1. Section 90.90 entitled Sewer Use Charge of Chapter 90 entitled Utilities shall be amended by striking, in subparagraph (b) entitled Rate; Payment, the first sentence in its entirety and replace with “The rate shall be \$7.77 per 1,000 gallons of water metered with no minimum”.

SECTION 2. All ordinances or parts of ordinances inconsistent herewith are hereby repealed.

SECTION 3. This ordinance shall take effect upon its passage.

APPROVED AS TO FORM:



Kathleen E. Degnan
Assistant City Solicitor

RECEIVED

SEP 2 2021

Holyoke City Clerk's
Holyoke, MA

Massachusetts Department of Revenue Division of Local Services

Naveef K. Bal, Commissioner

Robert G. Nunes, Deputy Commissioner and Director of Municipal Affairs



Municipal Finance Glossary

May 2008

Visit our website at
<http://www.mass.gov/dls>

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)

Accelerated New Growth – MGL Chapter 59 §2A(a) is a local option statute that allows a community to value and assess new growth (e.g., new construction or other physical additions to real property) occurring by June 30 for the fiscal year beginning July 1. This local adoption law, commonly referred to as Chapter 653, allows the community to assess improved parcels, which ensures the property owner is paying his fair share of the cost of government operations for the fiscal year beginning July 1 rather than a year later.

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 Refunding of Debt, Current Refunding of Debt)

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.

Amended New Growth – When the assessors discover properties that were inadvertently omitted that would have been new growth (See Omitted and Revised Values), they may submit an "Amended Tax Base Growth Report (Form LA-13A) to BLA before setting the tax rate for the next fiscal year. BLA will certify the amount of any additional tax base growth and notify BOA. BOA will then recalculate the community's levy limit and notify the assessors of the new base for the purposes of calculating the succeeding year's levy limit.

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.

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)

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 §2D), 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.

Assessors' Maps – (See Tax Maps)

ATFC – Association of Town Finance Committees

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 – An 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. It is 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 onetime costs. Examples of available funds include free cash,

stabilization funds, overlay surplus, water surplus, and 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

BAN – Bond Anticipation Note

Bank Qualified – When a municipality issues \$10,000,000 or less in bonds or notes in a calendar year, the bonds and or notes issued are designated as “bank qualified.” The bank which purchases the security receives a tax deduction (80% of the interest cost) for this type of purchase. This deduction makes bank qualified bonds and notes an attractive purchase.

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 state or local governments.

BMFL – Bureau of Municipal Finance Law

BOA – Bureau of Accounts

Boat Excise – In accordance with MGL Chapter 60B, this is 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.

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 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 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 selectmen. (See Bond Issue)

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

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 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 2 ½ 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)

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 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.

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)

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.

Bulk Sale of Tax Receivables – A community may make bulk assignments of its delinquent property tax receivables and liens (MGL Ch. 60 §2C) to third parties. DLS recommends that municipal officers discuss whether to use this authority and what receivables would be assigned. (See DOR IGR 05-208)

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 Information Technology (IT) – A bureau within the State Division of Local Services charged with enhancing the flow of information between DLS and communities, maintaining DLS' Internet site, and providing training, support, and consulting services to communities using the DOR Computer Assisted Mass Appraisal (CAMA) and Tax Administration System.

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 overseeing the valuation of state owned land.

Bureau of Municipal Finance Law (BMFL; formerly Property Tax Bureau) – A bureau within the State Division of Local Services charged with providing legal advice to local officials on municipal finance or tax issues, legal opinions to communities, periodic Legislative Bulletins summarizing recent legislation affecting property taxation and municipal finance, and Informational

Guideline Releases (IGRs) detailing municipal tax and financial procedures.

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.

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 – 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 levy 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.

Capital Projects Fund – Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds)

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 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.

CD – Certificate of Deposit

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 full and fair cash value (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. 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 Land is valued at its current use rather than the full and fair cash value The commercial property tax rate is applicable for land defined under these chapters, unless the community adopts a local option provision within each chapter to apply the open space rate.

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 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 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.

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 (MGL Ch. 40 §56), and determining whether to offer an open space discount, a residential exemption (Ch. 59, §5C), and/or a small commercial exemption (Ch. 59, §5I) to property owners.

CMR – Code of Massachusetts Regulations

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. (See State Ethics Commission)

COLA – Cost of Living Adjustment

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.

Community Preservation Act (CPA) – Enacted as MGL Ch. 44B in 2000, CPA permits cities and towns accepting its provisions to establish a restricted fund from which monies can be appropriated only 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 or a citizen

petition, 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 as amended by IGR 01-207 and IGR 02-208)

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. This money may be expended by the conservation commission for lawful conservation purposes as described in MGL Ch. 40 §8C. The money may also be expended by the conservation commission 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 "

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.mass.gov/dls.

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.

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.

Cost-Benefit Analysis – A 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.

CPI – Consumer Price Index

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 Refunding and Advance Refunding of Debt)

Cyclical Inspection Program – A cyclical reinspection program involves completing an interior and exterior inspection of all property over a multi-year period, not exceeding nine years.

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 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 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 Service Fund – Governmental fund type used to account for the accumulation or resources for,

and the payment of, general long-term debt principal and interest. In Massachusetts, these are only allowed by special legislation

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 that 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 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.

Demand Notice – When a tax bill becomes past due, the collector sends a demand notice requesting payment. The collector is required to issue a demand before initiating a tax taking.

Deputy Collector – If 14 days after the mailing of a demand payment is not received, the collector may issue warrants to one or more deputy collectors authorizing them to collect delinquent taxes, commonly motor vehicle excise. For outstanding excise, the deputy may mark licenses/registrations or provide evidence (e.g., death absence, poverty, insolvency or other inability of the persons assessed to pay) that the accounts are uncollectable. All amounts collected by the deputy collector should be deposited to a municipal bank account from which the deputy may be paid his compensation by check signed by the collector

once the tax payments have cleared (MGL Ch. 60 §92). However, if a community requires all receipts be paid over to the treasurer, the deputy collector must be paid through the warrant process. (See DOR IGR 90-219)

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

DLS – Division of Local Service

DOR – Department of Revenue

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 Wire Transfer)

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

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 (EFB) – This board was abolished July 31, 2003. (See Municipal Finance Oversight Board)

Emergency Spending – MGL Ch. 44 §31 allows a community to spend in excess of appropriation in cases of major disasters that pose an immediate threat to the health or safety of persons or property, following the emergency declaration by council or selectmen and the approval of the Director of Accounts.

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 is 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.

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](#)

Equalized Valuations (EQVs) – The determination of an estimate of the full and fair cash value (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. (See Local Receipts)

Excess and Deficiency (E&D) – 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. Important: E&D is not available for appropriation until certified by the Director of Accounts.

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

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.

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.

FFCV – 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.

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 may have received deficit borrowing authorization or 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 Disclosure Law – MGL Chapter 268B requires certain individuals, officials and candidates for elected office to file statements of financial interests (SFI) with the State Ethics Commission.

Financial Management Review – At the request of the chief executive officer(s) of a community, DLS will assemble a consulting team to study a municipality's financial operations and condition to determine its strengths and weaknesses. Additional information on this and other consulting services may be found on the DLS website at www.mass.gov/dls. (See Municipal Data Management and Technical Assistance Bureau)

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.

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.

Foreclosure – (See Tax Title Foreclosure)

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 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.

GASB 45 – This is another Governmental Accounting Standards Board major pronouncement that each public entity account for and report other postemployment benefits (See OPEB) in its

accounting statements. Through actuarial analysis, municipalities must identify the true costs of the OPEB earned by employees over their estimated years of actual service.

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, is 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

Generally Accepted Auditing Standards (GAAS) – Auditing standards established by the Auditing Standards Board of the American Institute of Certified Public Accountants. All financial statement audit engagements must follow GAAS.

Generally Accepted Government Auditing Standards (GAGAS) – These are auditing standards established by the U.S. Governmental Accountability Office (GAO) publication "Government Auditing Standards" also known as the "Yellow Book". GAGAS for financial statement audits incorporate the fieldwork and reporting standards of GAAS.

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 executive or policymaking body including the school committee of a municipality.

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 External Investment Pool – An arrangement that commingles money of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. A pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An example is the Massachusetts Municipal Depository Trust.

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.

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 – This refers to the power of municipalities to regulate their affairs by by-law/ordinance or home-rule charter subject to certain limitations.

Home Rule Charter – An alternative under MGL Ch. 43B, to create 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 has 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.

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

IAAO – International Association of Assessing Officers

IG – Inspector General

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.

Incurred But Not Reported (IBNR) – Per Ch. 61 of the Acts of 2005, any political subdivision that self-insures its group health plan under G.L. Ch. 32B §3A must conduct an annual audit of its health insurance claims fund to ensure that all claims incurred but not reported are properly accrued at the end of the fiscal year. Any year-end deficit must be funded in the succeeding year. Any political subdivision that has a deficit in its self-insurance

health fund at the end of FY2005 because it has not been accruing these IBNR claims is allowed a one-time opportunity to amortize that deficit over a period not to exceed three years, beginning in FY2007. (See IGR No. 05-101)

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.

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 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 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)

Internal Service Fund – A municipal accounting fund used to accumulate the cost of central services such as data processing, printing, postage, motor pool. Costs or charges to an internal service fund are then allocated to other departments or funds within the government unit.

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.

IT – Information Technology

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 Court – Established in 1898, the Land Court has the exclusive jurisdiction to foreclose rights of redemption on a property in tax title.

Land of Low Value (MGL Ch. 60 §79)– After 90 days from the date of taking, the treasurer may work with the assessors to pursue land of low value foreclosure (MGL Ch. 60 §79) through DOR, an alternative foreclosure procedure to seeking a decree from Land Court. Annually, DLS publishes the maximum valuation of parcels qualifying for the land of low value foreclosure procedure.

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.

Late Interest – When taxes and excise are overdue, late interest accrues automatically. For fees and charges, a community may establish an ordinance/bylaw to charge interest on overdue accounts to encourage timely payments (MGL Ch 40 §21E). In the ordinance/bylaw, the community must establish due dates and set an overdue interest rate not to exceed the rate that applies to overdue taxes (currently 14 percent annually).

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 Level of Budgetary Control – The level at which a government's management may not reallocate resources without approval from the legislative body.

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.

Legislative Bulletins – The Division of Local Services publishes Bulletins (announcements and useful information) for local officials and municipal finance professionals.

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)

LGAC – Local Government Advisory Committee

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. (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 requires civil court action.

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 (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 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 or referendum 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 upon the recommendation of the mayor. (See Legal Level of Budgetary Control)

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)

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 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.

Material Weakness – A term used in connection with financial auditing. This is a significant deficiency in a community's internal financial control. It is a reportable condition (internal control weakness) of such magnitude that it could potentially result in material misstatements of financial condition.

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 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](#))

MDM/TAB – Municipal Data Bank/Technical Assistance Bureau

MGL – Massachusetts General Laws

MHD – Massachusetts Highway Department

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)

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 of the Acts of 1988 allows certain communities to use a CIP of up to 1.75 percent with specified conditions.

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, in accordance with MGL Chapter 60A. 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 Bond Insurance – An insurance policy that guarantees the interest and principal on a bond issue will be paid as scheduled. The municipal bond insurer will pay the debt whether or not the default was caused by an economic crisis or a natural disaster.

Municipal Charges Lien – For delinquent water (MGL Ch. 40 §§42A-F), sewer (MGL Ch. 83 §§16A-F), and trash (MGL Ch. 44 §28C(f)) charges, a community may lien these amounts on the property tax provided the enabling legislation is accepted and a certificate of acceptance is on file at the Registry of Deeds. For other unpaid local charges and fees, a community may adopt MGL Ch. 40 §58 separately for each purpose in order to lien each

upon the property tax. The lien is created by recording a listing of a particular type of charge or fee (by parcel of land and by name) at the Registry of Deeds.

Municipal Data Bank – Located within the Division of Local Services (DLS), the Municipal Data Bank 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.mass.gov/dls.

Municipal Data Management and Technical Assistance Bureau (MDM/TAB) – A bureau within the State Division of Local Services charged with three primary functions: coordinating financial management consulting services, providing financial and demographic information thru the Municipal Data Bank, and managing the process of preparing the Cherry Sheets and distributing local aid through a number of state aid programs. (See Cherry Sheet, Financial Management Review, Municipal Data Bank)

Municipal Finance Oversight Board – Upon abolishing the Emergency Finance Board (EFB), this board (consisting of the attorney general, state treasurer, state auditor, and director of accounts) was created. The types of actions that previously required EFB approval will now require either: (1) no approval beyond the local votes the action requires, (2) approval of certain municipal officials, or (3) approval of this board. (See DOR IGR 04-101)

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 Assets Unrestricted (formerly 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).

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. 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 FY07 is based on new construction, etc. that occurred between January and December 2005 (or July 2005 and June 2006 for accelerated new growth communities). In the fall of 2006, when new growth is being determined to set the FY07 levy limit, the FY06 tax rate is used in the calculation.

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)

funded 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, if any. 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 Underride)

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

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

Pension Cost – A measure of the periodic cost of an employer's participation in a defined benefit pension plan.

Pension Plan – An arrangement for the provision of pension benefits to employees upon their retirement. All assets accumulated are used to pay benefits (including refunds of member contributions) to plan members or beneficiaries, as defined by the terms of the plan.

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 Long-Term Debt)

Permanent Funds – A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government for its citizenry. An example is a cemetery perpetual care fund.

Personal Property – Movable items not permanently affixed to, or part of the real estate. It is assessed separately from real estate to certain

Non-Renewal Program – Upon request, the Registry of Motor Vehicles marks the license and registration of delinquent excise payers for non-renewal. This program has proved particularly effective.

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 cause some owners not to be assessed or to be incorrectly assessed for the fiscal year. These must be committed by June 20 or 90 days after bills are issued, whichever is later.

On-line Bill Payment Service – A third-party service provider that gives taxpayers the ability to pay taxes, excise and utility payments by electronic check transfers or credit card payments 24 hours a day.

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 – 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)

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 need not be

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.

Private-Purpose Trust Funds – A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefits individuals, private organizations, or other governments. An example is a scholarship fund.

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 Bureau – (See Bureau of Municipal Finance Law)

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

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 Municipal Finance Oversight 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 – An 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 a 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.

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 – 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. (See Minimum Residential Factor)

Retained Earnings – (See Net Assets Unrestricted)

market and adjusting for differences from the subject, or unsold, property

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

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 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.

Small Commercial Exemption – A property tax classification option where a community may exempt up to 10 percent of the value of a Class Three, Commercial parcel. The parcel must be occupied by small businesses and have an assessed valuation of less than \$1 million. 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 IGR 00-403)

SOL – State Owned Land

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 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 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)

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

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 fair cash 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. 61, 61A or 61B, no longer qualifies as actively devoted to purposes specified in each chapter.

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.

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

State Ethics Commission – This state agency was established to foster integrity in government and promote public trust. The Commission enforces a Code of Ethics and the Financial Disclosure Law.

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)

STF – State Tax Form

Supplemental Tax Assessments on New Construction (MGL Ch. 59 §2D) – A community may make pro rata assessments on the value of improvements that are greater than 50 percent of the billed value when an occupancy permit is issued after January 1 (MGL Ch. 59 §2D). This provision allows a community to issue a bill (back to the date of occupancy between January 1-June 30) for the current fiscal year on qualifying property improvements, resulting in additional general revenue. These improvements would be included in the subsequent year's new growth calculation.

Surcharge – An additional sum added to a particular, already existing charge such as 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)

TA – Technical Assistance Section (See Municipal Data Management and Technical Assistance Bureau)

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 (TAN) – A short-term note issued to provide cash to cover operating expenses in anticipation of tax proceeds.

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 Possession – Once a tax title has been foreclosed in Land Court, the municipal treasurer records the decree at the Registry of Deeds as a municipally owned property, hence becoming a tax possession. For a property issued a Land of Low Value affidavit, the municipality must hold an auction prior to it becoming a tax possession.

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 (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.

Tax Title Foreclosure – The procedure initiated by a city or town treasurer in Land Court or through land of low value to obtain legal title to real property already in tax title and on which property taxes are over due. The treasurer must wait at least six months from the date of a tax taking to initiate Land Court foreclosure proceedings (MGL Ch. 60 §65).

Tax Title Redemption – The act of a property owner to pay overdue taxes, plus any fees, charges, other costs and interest, on real property that the community had placed in tax title to secure its lien. The taxpayer's right to redeem terminates when the treasurer receives a Land Court Decree or Land of Low Value affidavit, records and holds an auction.

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 Section – Part of MDM/TAB, the Technical Assistance Section 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)

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. 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.

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. (See Override)

Undesignated Fund Balance – Monies in the various government funds as of June 30 that 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 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 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 45, OPEB)

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 redetermined 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. (See Pension Plan)

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))

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 and mooring fees imposed under MGL Chapter 91 §10A 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.

A publication that was used in developing this glossary was **Governmental Accounting, Auditing, and Financial Reporting**, by Stephen J Gauthier. Chicago: Government Finance Officers Association, 2001

MUNICIPAL GLOSSARY

DIVISION OF LOCAL SERVICES

JANUARY 2020



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Supporting a Commonwealth of Communities

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Abatement – A reduction or elimination of a real or personal property tax, motor vehicle excise, 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.

Accelerated New Growth – MGL c 59 § 2A(a) is a local option statute that allows a community to value and assess new growth (i.e., new construction or other physical additions to real property) occurring by June 30 for the fiscal year beginning July 1. This local adoption law, commonly referred to as Chapter 653, allows the community to assess improved parcels, which ensures the property owner pays his fair share of the cost of government operations for the fiscal year beginning July 1 rather than a year later.

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 Refunding of Debt, Current Refunding of Debt)

Agency Fund – One of the 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 subsequently forwarded to the federal government, health care provider, and so forth.

Amended New Growth – When the assessors discover inadvertently omitted properties that would have been new growth, they may submit an Amended Tax Base Growth Report (Form LA-13A) to BLA before setting the tax rate for the next fiscal

year. BLA will certify the amount of any additional tax base growth and notify BOA. BOA will then recalculate the community's levy limit and notify the assessors of the new base for the purposes of calculating the succeeding year's levy limit.

Amortization – The gradual repayment of an obligation over time and in accordance with a predetermined 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 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.

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.

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.

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)

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 c. 59 § 2D), 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 its most recent sales price. The ASR is instrumental in BLA's certification of municipal property values completed every five years.

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

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

Audit Management Letter – An independent auditor's written communication to government officials, separate from the community's audit. It generally identifies deficient areas, if any, and presents recommendations for improving accounting procedures and other internal controls.

Audit Report – Prepared by an independent auditor, an audit report includes: (a) a statement of the audit's scope; (b) explanatory comments as to the application of auditing procedures; (c) findings and opinions; (d) financial statements and schedules; and (e) supplementary comments, recommendations and statistical tables. It is very often accompanied by a management letter.

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

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

Bank Qualified – When a municipality issues \$10,000,000 or less in bonds or notes in a calendar year, these issuances are designated as "bank qualified." The bank that purchases the security receives a tax deduction (80% of the interest cost) for this type of purchase. This deduction makes bank qualified bonds and notes attractive purchases.

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 that area's property owners to reimburse the governmental entity for all or part of the costs it incurred to complete 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. If spread over the years, the community adds one year's apportionment along with one year's committed interest computed from October 1 to October 1 to the associated tax bills until the betterment has been paid.

BLA – Bureau of Local Assessment

Block Grant – A federal grant of money awarded by formula under very general guidelines that allow grantees broad latitude in spending activities.

BOA – Bureau of Accounts

Boat Excise – In accordance with MGL c. 60B, this is an amount levied on boats and ships in lieu of a personal property tax for the privilege of using the state'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.

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 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 with the expectation the debt will be replaced later by permanent bonding. Typically issued for a term of less than one year, BANs may be reissued for up to 10 years, provided principal repayment begins after two years (MGL c. 44 § 17).

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 the board of selectmen. (See Bond Issue)

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 portion of, the bond amount authorized by a town meeting or city council.

Bond Premium – The difference between the market price of a bond and its face value (when the market price is higher). A premium occurs when the bond's stated interest rate is set higher than its true interest cost (the market rate). Premiums received at the time of sale must be used to pay project costs and reduce the amount borrowed by the same

amount or be reserved for appropriation for purposes for which debt has or may be authorized for an equal or longer period than the original loan. Additions to the levy limit for a Proposition 2 ½ debt exclusion are restricted to the true interest cost incurred to finance the excluded project. If the premium is not used to pay project costs and reduce the amount of a debt-excluded borrowing, the annual debt exclusion must be adjusted to reflect the true interest rate.

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 & Poor's, use rating systems that designate a letter or a combination of letters and numerals, where AAA is the highest rating and C1 is very low.

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.

Bulk Sale of Tax Receivables – A community may make bulk assignments of its delinquent property tax receivables and liens to third parties (MGL c. 60 § 2C). DLS recommends municipal officers discuss whether to use this authority and what receivables would be assigned.

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

Bureau of Local Assessment (BLA) – Bureau within the 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 overseeing the valuation of state-owned land.

Capital Asset – Any tangible property used in the operation of government that is not easily converted into cash and that 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 minimum initial cost.

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 to finance each recommended expenditure (e.g., tax levy or 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 plan. It coordinates community planning, fiscal capacity, and physical development. While all the community's needs should be identified in the program, there is a set of criteria that prioritize 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 levy to fund a capital project or to make a capital acquisition. Such an exclusion requires a two-thirds vote of the selectmen or city council (sometimes with the mayor's approval) and a majority vote in a communitywide 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 Book – A source book of original entry that a treasurer is required to maintain for the purpose of recording municipal receipts, adjustments to balances, deposits to municipal accounts, and disbursements through warrants.

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

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 (MGL c. 90 § 34). **Chapter Land** – Forest, agricultural/horticultural, and recreational lands classified, valued, and taxed according to MGL c. 61, 61A, and 61B. Land is valued at its current use rather than the full and fair cash value. The commercial property tax rate is applicable for land defined under these chapters, unless the community adopts a local option provision within each chapter to apply the open space rate.

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.

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

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 library grants. (See Offset Receipts)

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 the 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.

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

Code of Ethics – The provisions and requirements of MGL c. 286A pertaining to the standards of behavior and conduct to which all public officials and employees are held. (See State Ethics Commission)

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 the collector will bill and collect from property owners.

Community Preservation Act (CPA) – Enacted as MGL c. 44B in 2000, the CPA permits cities and towns accepting its provisions to establish a restricted fund from which monies can be appropriated only for a) the acquisition, creation and preservation of open space; b) the acquisition, preservation, rehabilitation, and restoration of historic resources; c) the acquisition, creation, preservation, rehabilitation, and restoration of land for recreational use; d) the acquisition, creation, preservation and support of community housing; e)

the rehabilitation and restoration of open space or community housing that is acquired or created using monies from the fund; and (f) a municipal affordable housing trust. Acceptance requires town meeting or city council approval or a citizen petition, 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.

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

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

Conservation Fund – A city or town may appropriate money to a conservation fund, which may be expended by the conservation commission for lawful conservation purposes as described in MGL c. 40 § 8C. The money may also be expended by the conservation commission 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.

Contingent Appropriation – An appropriation that authorizes spending for a particular purpose only if subsequently approved in a voter referendum. Under MGL c. 59 § 21C (m), towns may make appropriations from the tax levy, available funds, or borrowing contingent on 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 the appropriation is not approved by

the applicable deadline, it is null and void. If contingent appropriations are funded through property taxes, DLS 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 the 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.

Corporations Book (the Corp Book) – Annually updated and published by DLS, the Corp Book provides a listing of the domestic and foreign corporations doing business in Massachusetts as of January 1 that 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 useful information to assessors about the taxable status of businesses located in their community.

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 – The process of immediately applying proceeds of refunding debt 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 Refunding of Debt and Advance Refunding of Debt)

Cyclical Inspection Program – A cyclical reinspection program involves completing an interior

and exterior inspection of all property over a multiyear period, not exceeding nine years.

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 c. 44 §§ 1, 2, 3, 4a, 6-15.

Debt Burden – The amount of debt carried by an issuer usually expressed as a measure of value (e.g., 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 of 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 a municipality may authorize for qualified purposes under state law. Under MGL c. 44 § 10, debt limits are set at 5 percent of EQV. By petition to the Municipal Finance Oversight Board, a community can receive approval to increase its 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.

Debt Service Fund – Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. In Massachusetts, these are only allowed by special legislation.

Debt Statement – A report that local treasurers are required to file with DLS showing the authorized and issued debt, retired debt, 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 that 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 Notice – When a tax bill becomes past due, the collector sends a demand notice requesting payment. The collector is required to issue a demand before initiating a tax taking.

Department of Elementary and Secondary Education (DESE) – 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.

Deputy Collector – A vendor empowered to take enforcement and collection actions on behalf of a community's collector.

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

DLS – The Department of Revenue's Division of Local Services

Emergency Spending – MGL c. 44 § 31 allows a community to spend in excess of appropriation in cases of major disasters that pose immediate threats to the health or safety of people or property, following an emergency declaration by the Governor or two-

thirds vote of the council or select board and the approval of the Director of Accounts.

Encumbrance – A reservation of funds to cover an obligation arising from a purchase order, contract, or salary commitment chargeable to, but not yet paid from, a specific appropriation account.

Enterprise Fund – Authorized by MGL c. 44 § 53F½, an enterprise fund 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 a service's total costs recovered through user charges and the portion subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital --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 enterprise operation rather than closing this 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) – An estimate of the full and fair cash value (FFCV) of all property in the state as of a certain taxable date. EQVs have historically been used as a variable in distributing some state aid accounts and in determining county assessments and other costs. The Commissioner of Revenue, in accordance with MGL c. 58 § 10C, is charged with the responsibility of biennially determining an equalized valuation for each city and town in the state.

Excess and Deficiency (E&D) – 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 submitted to DLS by the district's auditor, accountant, or comptroller. E&D is not available for appropriation until certified by the Director of Accounts.

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 select board or city council must be informed of excess levy capacity and their acknowledgment must be submitted to DLS 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 disabled veterans, blind individuals, surviving spouses, and seniors.

Exemption Date – Real estate tax 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 a municipality to provide the programs and services within its approved budget.

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

Field Review Audit – A review of assessment valuation methods and support documentation by the BLA performed as a prerequisite to a five-year 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 may have received deficit borrowing authorization or 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 Disclosure Law – MGL c. 268B requires certain individuals, officials and candidates for elected office to file statements of financial interests with the State Ethics Commission.

Financial Statement – A presentation of the assets and liabilities of a community as of a particular date, most often 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. Since 1976, the federal government fiscal year has begun on October 1 and ended September 30. In each case, the designation of the fiscal year is that of the calendar year in which the fiscal year ends.

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 legally or contractually mandated, such as retirement, FICA/Social Security, insurance, debt service, or interest on loans.

Foundation Budget – The spending target imposed by DESE for each school district as the level necessary to provide an adequate education for all students.

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 estimated 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 June 30 balance sheet, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Director of Accounts. (See Available Funds)

Full and Fair Cash Value – The Massachusetts Supreme Judicial Court defines fair cash value as the "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 1 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. Properties are literally measured and relisted in the assessors' records with any changes in condition since the last inspection. Also referred to as a cyclical inspection program, BLA recommends a full measure and list be completed once in every nine-year cycle.

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. Within a fund, financial resources and activity (assets, liabilities, fund balances, revenues, and expenditures) are accounted for independently. Examples of funds include the general fund and enterprise funds.

Fund Accounting – Organizing the financial records of a municipality into multiple, segregated locations for money. Communities whose accounts 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.

General Fund – The fund used to account for most financial resources and activities governed by the normal town meeting or 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 is insufficient to cover the cost to provide a 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 (GL) – The accountant's record of original entry, a general ledger is a set of numbered accounts used to track financial transactions and prepare financial reports. Each account is a distinct record summarizing each type of asset, liability, equity, revenue and expense. A chart of accounts lists all the accounts in the general ledger.

General Obligation Bonds – Bonds issued by a municipality that are backed by the full faith and credit of its taxing authority.

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 External Investment Pool – An arrangement that commingles money of multiple, legally separate entities and invests in an investment portfolio on the participants' behalf. A pool can be sponsored by an individual government, jointly by

multiple governments, or by a nongovernmental entity. An example is the Massachusetts Municipal Depository Trust.

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

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

Home Rule – Refers to the power of municipalities to regulate their affairs by bylaws/ordinances or home rule charters subject to certain limitations.

Home Rule Charter – An alternative, under MGL c. 43B, to create a charter commission by which cities and towns may create, adopt, revise and amend local charters.

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 capabilities.

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

Informational Guideline Release (IGR) – Provided on the DLS website, IGRs are DLS publications that outline a policy or administrative procedure or that provide a law update related to municipal finance.

Inside Debt – Municipal debt incurred for purposes enumerated in MGL c. 44, § 7 and within the community's debt limit, which is an amount no higher than five percent of the community's equalized valuation. Because this type of borrowing is below the debt limit, it is 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 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 five years, BLA reviews and certifies that an individual community's assessed values meet this standard. In between these five-year 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 or decrease values or leave them unchanged.

Internal Service Fund – A municipal accounting fund used to accumulate the cost of central services, such as data processing, printing, postage, and motor pool. Costs or charges to an internal service fund are then allocated to other departments or funds within the governmental unit.

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 JLMC's purpose is to mediate police officer or fire fighter collective bargaining disputes with municipalities when negotiations reach impasses.

The JLMC only enters a collective bargaining process when petitioned to do so by either party or by both parties acting jointly.

Land Court – Established in 1898, the Land Court has the exclusive jurisdiction to foreclose rights of redemption on a property in tax title.

Land of Low Value (MGL c. 60 § 79) – After 90 days from the date of a tax taking, the treasurer may work with the assessors to pursue a land of low value foreclosure through DLS, an alternative foreclosure procedure to seeking a Land Court decree. Annually, DLS publishes the maximum valuation of parcels qualifying for the land of low value foreclosure procedure.

Land Schedule – Typically developed by assessors and revaluation consultants, this is a table used to arrive at consistent assessed values for land within defined neighborhoods.

Legal Opinion (re: 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 reestablished 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 c. 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, debt exclusion, or special exclusion.

Levy Limit – A levy limit is one of two types of levy (tax) restrictions imposed by MGL c. 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.

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

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.

Line-item Budget – A budget that stratifies spending into categories of 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 (e.g., salaries, expenses). Employed as a management tool, line-item transfer authority allows department heads to move money where a need arises for a similar purpose without altering the bottom line. Whether or not line-item transfers are permitted depends on how the budget is presented (i.e., its format) and what level of budget detail town meeting approves.

Local Aid – Revenue allocated by the state 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.

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)

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 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 community's or district's wealth and the category of reimbursement.

Material Weakness – An audit term for a significant deficiency in a community's internal financial controls. It is a reportable condition (internal control weakness) of such magnitude as to potentially result in material misstatements of financial condition.

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

MGL – Massachusetts General Laws

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).

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 the tax burden shift 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 percent. Under specified conditions, some communities may use a CIP factor of up to 1.75 percent.

Motor Vehicle Excise – A locally imposed annual tax assessed to owners of motor vehicles registered to addresses within the community (MGL c. 60A). The excise tax rate is set by statute at \$25.00 per \$1,000 of vehicle value.

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

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, and special districts but also bonds of the state and agencies of the state.

Municipal Bond Insurance – An insurance policy that guarantees the interest and principal on a bond issue will be paid as scheduled. The municipal bond insurer will pay the debt whether or not the default was caused by an economic crisis or a natural disaster.

Municipal Charges Lien – For delinquent water (MGL c. 40 §§ 42A-F), sewer (MGL c. 83 §§ 16A-F), and trash (MGL c. 44 § 28C(f)) charges, a community may lien these amounts on the property tax, provided the enabling legislation is accepted and a certificate of acceptance is on file at the Registry of Deeds. For other unpaid local charges and fees, a community may adopt MGL c. 40 § 58 separately for each purpose in order to lien each upon the property tax. The lien is created by recording a listing of a particular type of charge or fee (by parcel of land and by name) at the Registry of Deeds.

Municipal Finance Oversight Board – This board (consisting of the attorney general, state treasurer, state auditor, and director of accounts) approves use of qualified bonds and certain other municipal borrowings and other actions.

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, change in selected unrestricted state aid categories, and the change in selected unrestricted local receipts (Education Reform Act of 1993).

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 Elementary and Secondary Education (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 revaluations.

Nonrecurring Revenue Source – A one-time source of money available to a city or town. By its nature, a nonrecurring revenue source cannot be relied upon in future years, and therefore, such funds should not be used for operating or other expenses that continue from year to year.

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

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

Offset Receipts – A local option that allows a particular department's estimated receipts to be earmarked for the department's use and appropriated to offset its annual operating budget. If accepted, MGL c. 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 any use of a higher amount before appropriation. Actual collections that are 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.

OPEB (Other Postemployment Benefits) – Many public employees earn benefits over their years of service that they do not receive until after their government employment ends. While pensions are the most common of these, other postemployment benefits generally include combinations of health, dental, vision, and life insurances. These are provided to eligible retirees and sometime to their beneficiaries, and as a group, are referred to as OPEB.

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

Other Amounts to be Raised (as detailed on the Tax Recap) – Amounts not appropriated but raised through taxation. Generally, these are locally generated expenditures (e.g., overlay, teacher pay deferrals, 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 budget recommendations to the city council or town meeting.

Outside Debt – Municipal borrowing for purposes enumerated in MGL c. 44, § 8. Since this debt is not measured against a community's debt limit per c. 10, the borrowing is outside the debt limit and therefore 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 that funds anticipated property tax abatements, exemptions, and uncollected taxes. Additions to the

overlay reserve need not be funded by the normal appropriation process but instead raised on the tax rate recapitulation sheet.

Overlay Deficit – A deficit that occurs when the abatements and statutory exemptions charged to the overlay during a fiscal year exceed the account balance. Overlay deficits must be provided for in the next fiscal year.

Overlay Surplus – Any balance in the overlay account in excess of the amount remaining to be collected or abated can be transferred to this account. Within 10 days of a written request by the community's chief executive officer, the assessors must provide a certification of the excess amount of overlay available to transfer, if any. 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.

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.

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.

Payment in Lieu of Taxes (PILOT) – An agreement between a municipality and an entity not subject to taxation, such as a charitable or educational organization, whereby the organization 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.

Pension (or 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.

Pension Cost – A measure of the periodic cost of an employer's participation in a defined benefit pension plan.

Pension Plan – An arrangement for the provision of pension benefits to employees upon their retirements. All assets accumulated are used to pay benefits (including refunds of member contributions) to plan members or beneficiaries, as defined by the plan's terms.

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

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

Permanent Funds – A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (that is, for the benefit of the government for its citizenry). An example is a cemetery perpetual care fund.

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 by communities on quarterly tax billing cycles or on annual preliminary billing systems. The tax bill is sent by July 1 and can generally be no greater than 50% of the amount due in the previous fiscal year.

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

Private-purpose Trust Funds – A fiduciary trust fund type used to report all trust arrangements (other than those properly reported in pension trust funds

or investment trust funds), under which the principal and income benefits individuals, private organizations, or other governments. An example is a scholarship fund.

Pro Forma Recap Sheet – The Tax Recap sheet that communities on semiannual tax billing cycles submit to DLS when seeking to send optional preliminary tax bills for the first half of the fiscal year. This is done either because a community is in a recertification year or has a valuation-related delay in setting the tax rate.

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.

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

Qualified Bond – A program unique to Massachusetts for municipalities with marginal credit ratings, in which the State Treasurer pays the debt service directly from a community's local aid, thereby reinforcing the security of the bond and improving its marketability. The Municipal Finance Oversight Board authorizes issuance of these bonds under c. 44A.

Five-year Certification – The Commissioner of Revenue, through BLA, is required to review local assessed values every five years to certify that they represent full and fair cash value. Refer to MGL c. 40 § 56 and c. 59 § 2A(c).

Raise and Appropriate – A phrase used to identify an expenditure's funding source as money generated by the tax levy or other local receipt.

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

Receipts Reserved for Appropriation – Proceeds earmarked by law and placed in separate accounts for appropriation for particular purposes. For example, ambulance charges may be appropriated to offset expenses in providing ambulance services.

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

Reconciliation of Cash – The process whereby the accountant and treasurer compare records to confirm available cash in community accounts.

Reconciliation of Receivables – The process whereby the accountant and collector compare records to confirm the amount of outstanding taxes.

Records Disposition Schedule – Published by the Secretary of State's Records Management Division and pursuant to MGL c. 66, these guidelines on municipal records inform local officials as to how long and in what form records must be maintained and identifies those that may be lawfully disposed.

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

Refunding of Debt – Transaction whereby 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)

Requisition – Form used by the requesting department when ordering products and services from external vendors. This document generates a purchase order.

Reserve Fund – An amount (not to exceed 5 percent of the tax levy for the preceding year) set aside annually within a community's budget 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 35 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 thereby 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, which may be used to fund capital improvements, reimburse the general fund for prior-year subsidies, reduce user charges, or provide for enterprise revenue deficits (operating losses).

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 depends on the assessors' analyses and consideration of many factors, including, but not limited to, the status of the existing valuation system, results of an in-depth sales ratio study, and accuracy of existing property record information. Every five years, assessors must submit property values to DLS for certification. Assessors must also maintain fair cash 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 property they own. (See five-year 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 state in lieu of taxes in the prior year. According to MGL c. 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 appropriation turnbacks and are insufficient to fund the amount appropriated. Unless otherwise funded, a revenue deficit must be raised in the following year's tax rate.

Revolving Fund – A fund that allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

Rollback Taxes – Back taxes that become due when land valued, assessed and taxed under MGL c. 61, 61A or 61B no longer qualifies as actively devoted to the purposes specified in each chapter.

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 c. 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 c. 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.

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.

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 – The outstanding balance, at any given time, on amounts borrowed with maturity dates of 12 months or less. (See Note)

Single Audit Act – For any community that expends \$750,000 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 that allows a community to exempt up to 10 percent of the value of a Class Three, commercial parcel. The parcel must be occupied by a small business and have an assessed valuation of less than \$1 million. 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 10 people.

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 that 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 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 c. 40 § 5B). Communities may establish one or more stabilization funds for different purposes and may appropriate any amounts into them. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money from a stabilization fund. A majority vote of town meeting or city council is required to appropriate money into a stabilization fund.

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

State Ethics Commission – This state agency was established to foster integrity in government and promote public trust. The Commission enforces a code of ethics and the Financial Disclosure Law.

State House Notes – Debt instruments for cities, towns, counties, and districts certified by the Director of Accounts. Payable annually, they are usually

limited to maturities of five years and principal amounts of \$2,250,000. The notes are particularly attractive to smaller communities because certification fees are low, they require neither full disclosure nor official statements, and they are issued in a short period of time.

State Receivership – (See Finance Control Board)

Supplemental Tax Assessments on New Construction (MGL c. 59 § 2D) – A community may make pro rata assessments on the value of improvements that are greater than 50 percent of the billed value, excluding the land value, when an occupancy permit is issued after January 1 (MGL c. 59 § 2D). This provision allows a community to issue a bill (back to the date of occupancy between January 1 - June 30) for the current fiscal year on qualifying property improvements, resulting in additional general revenue. These improvements would be included in the subsequent year's new growth calculation.

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

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

Tailings – Unclaimed municipal funds in the custody of a municipality, which are retained in a repository (referred to as a tailings account) until eventual disposition (MGL c. 200A). Tailings include unclaimed tax refunds, uncashed payroll checks, vendor payments yet to clear, etc.

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

Tax Increment Financing Exemption (TIF) – In accordance with MGL c. 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.

Tax Maps – Used to determine the location of properties, indicate the size and shape of each parcel, and show their 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 Possession – Once a tax title has been foreclosed in Land Court, the treasurer records the decree at the Registry of Deeds as a municipally owned property, which thus becomes a tax possession. For a property issued a Land of Low Value affidavit by DLS, the municipality must hold an auction prior to it becoming a tax possession.

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 (the Tax Recap) – The document a city or town submits to DLS to set a property tax rate, the recap shows all estimated revenues and actual appropriations that affect the property tax rate. It should be submitted to DLS by September 1 (in order to issue the first-half semiannual property tax bills before October 1) or by December 1 (to issue actual tax bills on or before December 31 in a quarterly community or a semiannual community issuing annual preliminary tax bills).

Tax Title (or Tax Taking) – A collection procedure that secures a municipality's lien on real property and protects its right to payment of overdue property taxes. Without a taking, the lien expires if five years elapse from the January 1 assessment date and the property has been transferred to another owner.

Tax Title Foreclosure – The procedure initiated by a city or town treasurer in Land Court, or through the land of low value process, to obtain legal title to real property already in tax title and on which property taxes are overdue. The treasurer must wait at least six months from the date of a tax taking to initiate Land Court foreclosure proceedings (MGL c. 60 § 65).

Tax Title Redemption – The payment by a property owner of all overdue taxes, fees, charges, other costs, and interest on real property that the municipality had placed in tax title. The taxpayer's right to redeem terminates when the treasurer receives a Land Court decree or land of low value affidavit, records the affidavit, and holds an auction.

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

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 nonexpendable trust funds, only interest (not principal) may be expended as directed.

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.

Uncollected Funds – Recently deposited checks that are 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.

Override – A vote by a community to permanently decrease the tax levy limit. It is the exact opposite of an override.

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

Unfunded 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. (See OPEB)

Unfunded Pension Liability – This 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 three years and driven by assumptions about the interest rates at which a retirement system's assets will grow and the rate of the pensioners' future costs of living increases. (See Pension Plan)

Uniform Municipal Accounting System (UMAS) – UMAS succeeded the statutory accounting 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 recordkeeping, and enhances the comparability of data among cities and towns.

Uniform Procurement Act – MGL c. 30B establishes uniform procedures for local government to use when contracting for supplies, equipment, services, and real estate.

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)

Valuation – 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. A treasury warrant authorizes the treasurer to pay specific bills. The assessors' warrant authorizes the

tax collector to collect taxes in the amounts and from the persons listed.

Water Surplus – For water departments operating under MGL c. 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 50 percent of the receipts from boat excises and mooring fees imposed under MGL c. 91 § 10A are deposited. Appropriation of these proceeds is limited to certain waterway expenses outlined in MGL c. 40 § 5G.