

# MUNICIPAL GLOSSARY

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DIVISION OF LOCAL SERVICES

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# 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.

**Underride** – 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.