MUNICIPAL FINANCE TERMS GLOSSARY

1. Available Funds - Free cash reserves and unexpected balances from other years available for appropriation. This affects the tax rate indirectly as any money spent other than that reimbursed by the County, State or Federal government must be raised by taxes and fees.

2. Capital Outlay Expenditure Exclusion - A community can vote to assess taxes in excess of its levy limit or levy ceiling for the payment of certain capital projects, a capital outlay expenditure exclusion. The additional amount for the payment of the capital project cost is added to the levy limit for the life of the debt only. Unlike overrides, exclusions do not become part of the base upon which the levy limit is calculated for future years. A majority vote of approval by the electorate is required.

3. Cherry Sheet - Details of State and County charges and reimbursements used in determining the tax rate. Name comes from the color of paper used. 4. Debt Exclusion - A community can vote to assess taxes in excess of its levy limit or levy ceiling for the payment of specified debt service costs, a debt exclusion. The additional amount for the payment of the debt service is added to the levy limit for the life of the debt only. Unlike overrides, exclusions do not become part of the base upon which the levy limit is calculated for future years. A majority vote of approval by the electorate.

5. Enterprise Fund - An accounting mechanism which 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. With an enterprise fund, all costs of services - direct, indirect, and capital costs are identified. This allows a community to recover total service costs through user fees if it so chooses. Enterprise accounting also enables communities to reserve the surplus or retained earnings generated by the operation of the enterprise rather than closing it out at year end.

6. Estimated Receipts - Estimate of miscellaneous receipts based on previous years receipts deducted by the assessors from the gross amount to be raised by taxation.

7. Fiscal Year - For the Commonwealth of Massachusetts and its municipalities, the fiscal year is the period of time beginning on July 1 and ending on June 30.

8. Free Cash - Surplus revenue less outstanding taxes owed from prior years.

9. Levy Ceiling - The maximum tax assessed on real and personal property may not exceed 2.5% of the total full and fair cash value of all taxable property, except if the community passes a capital outlay expenditure exclusion, a debt exclusion, or a special exclusion.

10. Levy Limit - The maximum amount a community can levy in a given year. The limit can grow by 2.5% of the prior year’s levy limit plus new growth and any overrides.

11. New Growth - The taxing capacity added by new construction and other increases in the property tax

base. New growth is calculated by multiplying the value associated with new construction by the tax rate of the previous year.

12. Overlay Fund - Amount raised by the assessors by setting the tax rate, creating a fund to cover abatements granted.