

## **Glossary of Finance/Budget Terms:**

**Available Funds** – Non-operating revenues that include Free Cash, Stabilization Funds, Retained Earnings, and Receipts Reserved for Appropriation. This last one is unique to the Colle building. The fund contains the balance of lease revenue from tenants less expenditures for maintenance and debt service. These funds can only be used for the Colle building.

**Debt Exclusion** – A vote at a municipal election to exclude debt service payments for a particular capital project from the Proposition 2-1/2 levy limit. The annual debt service is added to the levy limit for the life of the debt only.

**Excess Capacity** – The difference between the actual levy and the levy limit (or maximum allowable levy if exclusions - such as debt exclusions - apply).

**Enterprise Funds** – Montague has such funds for sewer and airport services. These allow the town to show the portion of the cost of services that are covered by user fees and the portion subsidized by the Tax Levy. Enterprise Funds allow the town to reserve the “surplus” or Retained Earnings for the fund.

**Estimated Local Receipts** – Estimates of fees and income paid to the town other than payments to Enterprise Funds or Receipts Reserved for Appropriation, and specifically excluding the Tax Levy and State Aid. The largest of these is Motor Vehicle Excise Tax; others are Trash Stickers, reimbursements for School Resource Officers, and lease payments for solar arrays.

**Free Cash** – Funds remaining from the previous year’s operations that are certified by the Department of Revenue as available for appropriation. Free Cash includes revenues received in excess of estimates and unspent appropriations. (Retained Earnings is the equivalent of Free Cash for Enterprise Funds.)

**Fund** – An accounting entity segregated for specific purposes or activities. Examples are the General Fund, WPCF and Airport Enterprise Funds, the Colle Receipts Reserved for Appropriation Fund and Stabilization Funds.

**General Fund** – This fund includes general town services, but excludes the school district assessments, Clean Water Facility (CWF), Airport and Colle building.

**New Growth** – The added taxing capacity from increases in real estate and personal property value that are not the result of revaluation or appreciation. This is added to the normal 2-1/2% increase in the prior year tax levy to get the new levy amount. The largest contributors to New Growth are new construction and new equipment.

**Operating Budget** – The proposed expenditures for personnel, services, supplies and other non-capital expenditures; this is spending that occurs annually. Money unspent at year end becomes part of the Free Cash calculation.

**Overlay Surplus** – The amount of overlay (reserve for abatement and exemptions for real estate and personal property taxes) deemed no longer required by the Board of Assessors and release for use by the Town as an available funding source. If not appropriated by the end of the fiscal year, it becomes part of the next year's Free Cash.

**Revolving Fund** – A self-contained fund allowed under MGL and approved by Town Meeting, that allows certain revenues to go directly to the fund and expenditures from the fund without appropriation up to the limit of the cash balance of the fund. An example is the Parks & Recreation Revolving Fund. Program fees go directly to this fund and are spent on programs without appropriation by Town Meeting.

**Special Articles** – We use this term (rather than just "Article") as an internal means to differentiate between operating budget articles and proposed expenditures for non-recurring purposes, including a Discretionary Account for Public Works. The definition of allowable purposes is generally narrower than Operating Budgets, and unspent amounts at year end are carried forward to the next year. The DPW Discretionary Account was established to enable purchases and repairs that occur sporadically, are difficult to forecast in time, and are for larger amounts.

**Stabilization Fund** – An account from which amounts may be appropriated for any lawful purpose. Montague has several stabilization funds for different purposes. They include the Town General Stabilization Fund, Town Capital Stabilization Fund, FCTS Stabilization Fund, GMRSD Stabilization Fund and the CWF Capital Stabilization Fund. Funds are appropriated into each fund by town meeting vote, and appropriations from each fund must be approved by a 2/3 vote of town meeting. Funding generally comes from Taxation, Free Cash or Sewer User Fees or Retained Earnings. The FCTS Stabilization Fund is added to when the FCTS Assessment is lower than expected, and used when there are significant increases to that assessment.

**State Aid** – Revenue allocated to towns by the State. The largest portion is Unrestricted General Government Aid.

**Taxation** – The narrow definition is the Net Property Tax Levy, after deduction of some allowances and addition of debt-service of excluded debt. As a funding source for warrant articles, Taxation includes the Tax Levy, State Aid, and Estimated Receipts.