



CPA FUND ACCOUNTING

Town of Hanover

Community Preservation Fund

Chapter 44B Section 7

- Town Accountant must establish and maintain a separate account on the general ledger called the Community Preservation Fund
- Town Treasurer may pool community preservation cash with other town funds or establish a separate bank account
 - ▣ Hanover's Treasurer's office does not maintain a separate bank account for the community preservation transactions but rather an allocation is done on a monthly basis.

Receipts of the CPA Fund

- CPA surcharge collections
- State Trust Fund distribution
- Interest earned
- Proceeds from borrowings made under the community preservation program
- Proceeds from sale of real property acquired with CPA funds
- Proceeds from persons who knowingly damage properties acquired with CPA

Expenditures of the CPA Fund

The CPA Fund is subject to appropriation. A recommendation by the CPC **AND** an appropriation by the legislative body of the town are **BOTH** required to spend any monies belonging to the fund.

Appropriations from any fund financing source, except borrowing, are made by majority vote.

- The acquisition, creation and preservation of open space
- The acquisition, preservation, rehabilitation and restoration of historic resources
- The acquisition, creation and preservation of land for recreational use
- The creation, preservation and support of community housing.
- The rehabilitation and restoration of open space, land for recreational use and community housing that is acquired or created using CPA fund monies.

Related Purposes

- Annual administrative and operating expenses of CPC
- Annual principal and interest payments on bonds/notes
- Preparation, issuance and marking costs for bonds/notes
- Damages payable to property owners for real estate interest taken by eminent domain for CPC purposes
- Matching funds for state and federal grants
- Property acquisition related expenses to include
 - ▣ Appraisal costs
 - ▣ Title search expense
 - ▣ Closing Fees

Annual Commitment of Current Year Revenues



A community may appropriate from the estimated annual revenues of the CPA Fund to finance community preservation acquisitions and initiatives. It may also reserve those revenues for future appropriation.

- Q: What are the estimated revenues of the CPA Fund?
- A: Generally these are going to be the CPA surcharge, state trust fund distribution and interest earned.

The annual estimated revenue (recurring) for the CPA Fund for FY14 in Hanover is broken down as follows:

CPA Surcharge	\$862,453
State Trust Fund Distribution	\$224,238
Interest Earned	<u> \$0</u>
	\$1,086,691

- Each fiscal year, the legislative body must appropriate or reserve at least 10% of the estimated annual fund revenues for acquisitions and initiatives in EACH of the three categories: Open Space, Historic Resources and Community Housing.

The FY14 reservations in Hanover were voted as follows:

Reserve – Open Space	\$108,669
Reserve – Historic Resources	\$108,669
Reserve – Community Housing	\$108,669

Each fiscal year, the legislative body may appropriate an annual administrative and operating expense budget. This amount cannot exceed 5% of the year's estimated revenues.

FY14 CPC Administrative Budget is \$54,335

Appropriations or reservation for future appropriation may be made from estimated annual fund revenue UNTIL THE TAX RATE IS SET FOR THE FISCAL YEAR.


There is an extremely useful additional reserve that has been created in FY14 and will be continued to be used in years ahead. This is the budgeted reserve. The amount of the budgeted reserve can be determined by the formula below:

Annual Estimated Revenue	\$1,086,691
Minus Reserve – Open Space	\$108,669
Minus Reserve – Historic Resources	\$108,669
Minus Reserve – Community Housing	\$108,669
Minus Admin Budget	\$54,335
Minus Debt Obligations	<u>\$481,650</u>
Budgeted Reserve	\$224,699

The budgeted reserve can be used as a funding source for any eligible CPA project. Because of the limitation noted above being that estimated annual revenues can only be appropriated or reserved until the tax rate is set, there is the possibility that if the budgeted reserve were not used there is a period of time during the fiscal year that limits the CPC in recommending projects.

Funding Sources for CPA Projects and Corresponding Availability

- Annual estimated fund revenues – until the tax rate is set
- Undesignated Fund Balance – only after Accountant reports prior fiscal year activities and balances to DOR for approval. Then this balance is available until end of current fiscal year.
- Reserves – anytime
- Borrowing – anytime

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- Q: What is undesignated fund balance?

 - A: The unspent and unencumbered balance as of year end that results from actual collections of revenue that exceed expenditures and reservations.

Comments & Questions

- Questions???