

# Fund Balances

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A discussion of key terms and specific fund  
balance information for the Town of Sudbury

# Fund Balance Discussion

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- I. Key terms
- II. Budget implications
- III. Financial results
- IV. Additional resources

# I. Key terms

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# Fund Accounting

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**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

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**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 Balance

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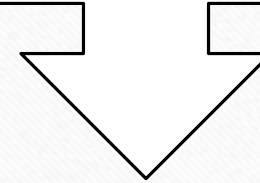
**Fund Balance** – The difference between assets and liabilities reported in a governmental fund.  
Also known as fund equity.

# GASB Statement No. 54

Enhance usefulness by

- clarifying existing governmental fund type definitions
- providing clearer fund balance classifications that can be more consistently applied

In February 2009, the Governmental Accounting Standards Board (GASB) issued statement #54, Fund Balance Reporting and Governmental Fund Type Definitions to enhance the usefulness of fund balance information presented in financial statements.



Implemented for the first time for year ending June 30, 2011 (FY11).



For more information on GASB pronouncements go to:

<http://gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>

The screenshot shows the GASB (Governmental Accounting Standards Board) website. The header includes the GASB logo, navigation links (HOME, STANDARDS & GUIDANCE, PROJECTS, MEETINGS, REFERENCE LIBRARY, NEWS & MEDIA, ABOUT US, STORE), and a search bar. The breadcrumb trail reads: *GASB Home* » *STANDARDS & GUIDANCE* » *Pronouncements*. The main heading is "PRONOUNCEMENTS".

**IMPORTANT NOTICE**  
Certain GASB pronouncements available below may be **completely** superseded by the issuance of subsequent GASB Pronouncements and are marked accordingly on the title page and download caption. Additionally, certain pronouncements have been **partially** superseded or amended by subsequent GASB Pronouncements; such subsequent modifications are not marked in the PDF files of the originally issued pronouncements included on this webpage.

The GASB Pronouncements included on this webpage are intended as a general reference to the GASB accounting standards.

The following pronouncements are available for download:

- Statements of Governmental Accounting Standards
- Concepts Statements
- GASB Interpretations
- GASB Technical Bulletins

On the right side, there is a sidebar titled "STANDARDS & GUIDANCE" with links to "Pronouncements", "Implementation Guides", and "GARS Online".



## II. Budget implications

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For latest details on fund balance and funding the budget go to:

[https://sudbury.ma.us/finance/?attachment\\_id=124](https://sudbury.ma.us/finance/?attachment_id=124)

# Section 1- Funding the Budget

Highlights include:

- GASB No. 54 discussion
- Top-level funds management
- Recent history and projections for all funds
- Expenditure and revenue activities for all fund groupings

## Financial Funds and the Budgeting Process

### Sudbury's Financial Funds Structure Overview

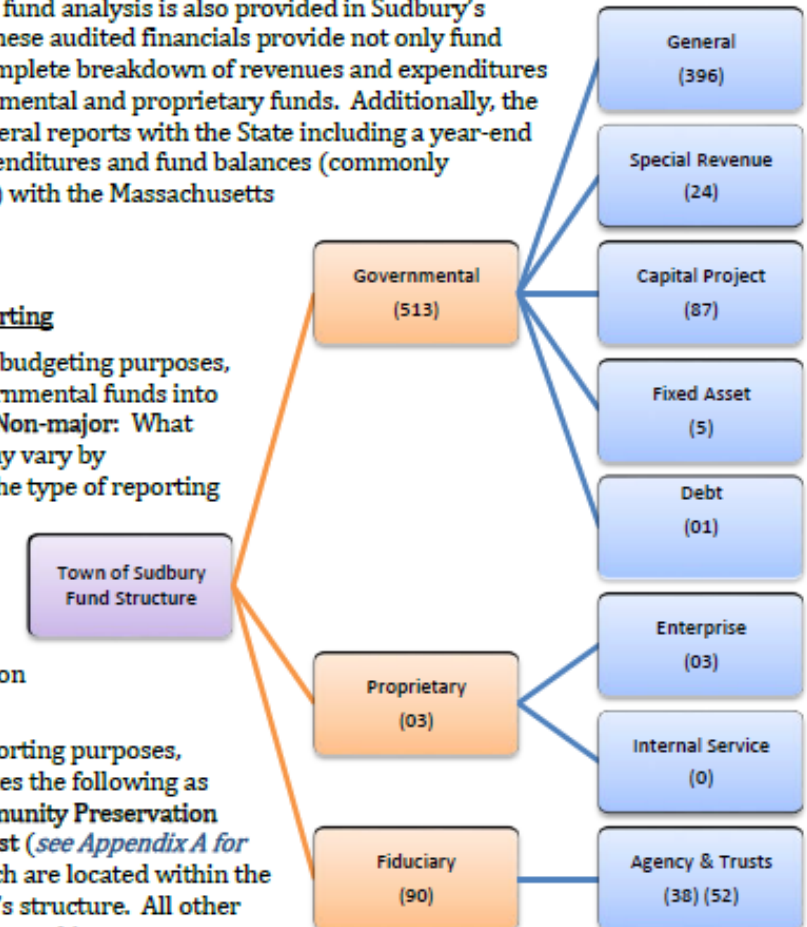
Sudbury's financial system consists of over 600 individual funds (see figure to right), the majority of which fall into the category of Governmental funds. The General Fund alone consists of nearly 400 sub-funds for internal accounting purposes. Maintaining this many separate funds is essential for compliance and reporting purposes. It ensures proper fund management across the Town's vast financial and operational segments on a constant and consistent basis. Advanced technology and integrated financial systems aid in effectively managing, budgeting and reporting at all levels of the organization.

Government-wide financial fund analysis is also provided in Sudbury's annual financial reports. These audited financials provide not only fund balance detail but also a complete breakdown of revenues and expenditures for all of the Town's governmental and proprietary funds. Additionally, the Town is required to file several reports with the State including a year-end statement of revenues, expenditures and fund balances (commonly referred to as "Schedule A") with the Massachusetts Department of Revenue.

### Major Funds Financial Reporting

For financial reporting and budgeting purposes, Sudbury separates all governmental funds into two categories: Major and Non-major. What constitutes a Major fund may vary by municipality as well as by the type of reporting being done. In general, a major fund constitutes a certain percentage of total assets, liabilities, revenues or expenditures. Some funds may switch designation from year-to-year.

For financial statement reporting purposes, Sudbury currently recognizes the following as Major funds: General, Community Preservation and Affordable Housing Trust (*see Appendix A for fund definitions*), all of which are located within the Town's Governmental fund's structure. All other governmental funds are reported in aggregate as Non-major.



### III. Financial results

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For all results pertaining to the FY13 audit see  
Sudbury Audit Financial FY13 CAFR at:

[https://sudbury.ma.us/finance/?attachment\\_id=83](https://sudbury.ma.us/finance/?attachment_id=83)



# CAFR for FY13

(page 67)

Fund balances broken down by,

1. 5 GASB balance classifications
2. Across major fund categories
3. Some additional details for clarification

## NOTE 14 – FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>1. Nonspendable:</b>				
Permanent fund principal.....	\$ -	\$ -	\$ 1,034,876	\$ 1,034,876
<b>2. Restricted:</b>				
Employee benefits.....	5,634,117	-	-	5,634,117
OPEB.....	137,637	-	-	137,637
Community preservation.....	-	4,165,166	-	4,165,166
School lunch.....	-	-	110,427	110,427
Affordable housing.....	-	-	320,703	320,703
Revolving.....	-	-	2,973,710	2,973,710
Receipts reserved.....	-	-	1,510,701	1,510,701
3. Grants.....	-	-	480,548	480,548
Other special revenue.....	-	-	715,124	715,124
Streets and sidewalks.....	-	-	5,198	5,198
School construction.....	-	-	288,611	288,611
Other capital projects.....	-	-	45,603	45,603
Cemetery perpetual care.....	-	-	128,854	128,854
Other permanent funds.....	-	-	477,447	477,447
Sub-total - Restricted.....	5,771,754	4,165,166	7,056,926	16,993,846
<b>Committed:</b>				
Continuing appropriations.....	209,001	-	-	209,001
Other capital projects.....	-	-	60,222	60,222
Sub-total - Committed.....	209,001	-	60,222	269,223
<b>Assigned:</b>				
Encumbrances - school.....	1,154,528	-	-	1,154,528
Encumbrances - public safety.....	114,501	-	-	114,501
Encumbrances - public works.....	70,786	-	-	70,786
Encumbrances - other.....	31,684	-	-	31,684
Sub-total - Assigned.....	1,371,499	-	-	1,371,499
<b>Unassigned.....</b>	<b>7,721,185</b>	<b>-</b>	<b>-</b>	<b>7,721,185</b>
Total fund balance.....	\$ 15,073,439	\$ 4,165,166	\$ 8,152,024	\$ 27,390,629

# CAFR Exhibit Cont'd

- 55% of all residual fund balance activity resides in the General fund
- Unassigned fund balance is the starting place for Free Cash calculation
- Free Cash is certified for the General fund as well as the Town's 3 Enterprises

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	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Permanent fund principal.....	\$ -	\$ -	\$ 1,034,876	\$ 1,034,876

**Non-spendable fund balance** is inherently non-spendable: a/the portion of net resources that cannot be spent because of their form and they must be maintained intact.

In FY13, this total balance is made up of 13 funds. These represent the non-expendable principal balances for a variety of Town trusts. For more information on these types of accounts see Sudbury Trust on the Town's website <https://sudbury.ma.us/finance/wp-content/uploads/sites/292/2014/08/SudburyTrust.pdf>



**Restricted balance** represents externally enforceable limitation on use. Limitations are imposed by –

- Creditors, grantors, contributors, or laws and regulations of other governments
- By law through constitutional provisions or enabling legislation

**Restricted:**

Employee benefits.....  
OPEB.....  
Community preservation.....  
School lunch.....  
Affordable housing.....  
Revolving.....  
Receipts reserved.....  
Grants.....  
Other special revenue.....  
Streets and sidewalks.....  
School construction.....  
Other capital projects.....  
Cemetery perpetual care.....  
Other permanent funds.....

**Employee Benefits:** Health Insurance Trust fund for Town & SPS for the years we were self-insured. This balance represents the residual after years of operation, investment earnings and mitigation (payout) to employees that contributed. Further discussion of the remaining balance in this fund will likely occur at the 2015 Annual Town Meeting.

**OPEB:** Holds appropriation and pays for (PAYG) expenses for retiree healthcare premiums throughout the fiscal year. The residual balance remains in the fund for investment/use for OPEB only purposes.

**Community Preservation:** (CPA) provides complete segregation of revenues and expenditures in accordance with MA General Laws Chapter 44B. This includes the balance from all CPA activity including capital projects.

**School Lunch:** Special revolving fund legislation for administering school lunch programs. Federal and State funding that may be used directly towards lunch operations only (not subject to Town Meeting appropriation).

**Affordable Housing:** Segregation of funding to provide for the creation and preservation of affordable housing in the Town of Sudbury for the benefit of low and moderate income households.



**Revolving:** Segregated from the general fund and may be spent without appropriation to support the activity, program or service that generated the revenue. The Town and Schools currently maintain close to 40 different revolving funds. Many of these funds are authorized under [GL c.44 S53E ½](#). Our largest fund for Gravel Mining was closed at the end of FY14; producing \$1.2M in Free Cash.

**Receipts Reserved for Appropriation:** (RRA) represent receipts from specific revenue source that by law is accounted for separately from the general fund and must be spent by appropriation. Each year the Town requests the transfer of revenue from the Ambulance Receipts RRA to be used towards specific Public Safety operations only.

**Grants:** The Town and Schools have close to 340 grant funds of which approximately 130 have current activity. Grants may come from a variety of sources, Federal, State and private. Recurring grants particularly for schools tend to have a different fiscal year-end date than we do so the balances you see for this group may vary considerably due to timing as well as changes in actual funding.

**Other Special Revenue:** Other miscellaneous funds that require segregation from the general fund. This category contains approximately 110 separate funds of special origin including gifts, mitigation funds, proceeds from the sale of real estate, special reimbursements, in-favor judgments and so on. With respect to gifts in particular, small unused balances may remain indefinitely.



**Streets and sidewalks:** Small surplus balances for Chapter 90 project allotments.

**School Construction:** Capital project balance(s) specifically for schools. Represents unused revenues as opposed to unauthorized borrowings. May be due to project energy rebates, refunds and other unspent amounts. At the end of FY13, the schools had two MSBA green repair projects in progress.

**Other Capital Projects:** Capital project balance(s) for all non-school purposes. Projects especially those having to do with building renovations and construction may take more than one year to complete. Once completed, residual balances in capital project funds can be used elsewhere only if re-purposed by Town Meeting authorization or else may be closed out to Free Cash with some restrictions as to unspent bond proceeds. Some balances may be re-classified to the Committed category.

**Cemetery Perpetual Care:** Portion of the Perpetual Care Trust that is expendable but may only be used for Cemetery care and maintenance.

**Other Permanent Funds:** Portion of all the other Town Trusts that is expendable; used only for specific purposes stated in trust documents or as defined by law.

**Committed:**

Continuing appropriations.....	209,001	-	-	209,001
Other capital projects.....	-	-	60,222	60,222

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**Committed fund balance:** represents self-imposed limitations set in place prior to the end of a period. For financial statement purposes we summarize these self-imposed restrictions in two categories.

**Continuing appropriations** represent small line items in/from the general fund budget that may not all be spent during the year but do not automatically close out. Recent examples are funds set aside for street acceptances and portions of the general operating capital article that are not fully expended in the year they are appropriated. At the end of FY13 these miscellaneous balances range between ATM 1999 but most to ATM 2012.

**Other capital projects** represents balance from the capital projects grouping (#3000's) which are expected to be spent in the preceding year.

**Assigned:**

Encumbrances - school.....	1,154,528	-	-	1,154,528
Encumbrances - public safety.....	114,501	-	-	114,501
Encumbrances - public works.....	70,786	-	-	70,786
Encumbrances - other.....	<u>31,684</u>	<u>-</u>	<u>-</u>	<u>31,684</u>

**Assigned:** limitations resulting from intended use. These are “carry-forward” expenses from one fiscal year to the next. By law only teacher salaries may be carried forward into the next year. All other payroll expenses must be paid within the current year; all non-teacher payroll budget line items close out. Any non-payroll expense line item may be carried forward into the preceding fiscal year with the exception of the Reserve Fund. Expenses that are carried forward require proper documentation to indicate that funds have truly been committed and/or expense incurred for a specific purpose during the prior year.

Encumbrances may vary significantly from year to year with the exception of teachers salaries which represents payroll for the two months during the summer when school is not in session.



Unassigned.....	<u>7,721,185</u>	<u>-</u>	<u>7,721,185</u>
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**Unassigned:** Residual net resources. This balance represents the excess or surplus in all the other categories previously mentioned.

It is important to note that GASB requirements now include the Town's Stabilization fund as part of Unassigned balance. This new financial reporting designation does not change the authorization process at Town Meeting. The balance in Stabilization remains completely segregated from the general fund for accounting and free cash calculation.

(Only) the **unassigned** balance in the **general fund** is the starting point or base for calculating Free Cash. The unassigned balance in the general fund as of June 30, 2013 was \$3,740,849.

## IV. Additional references

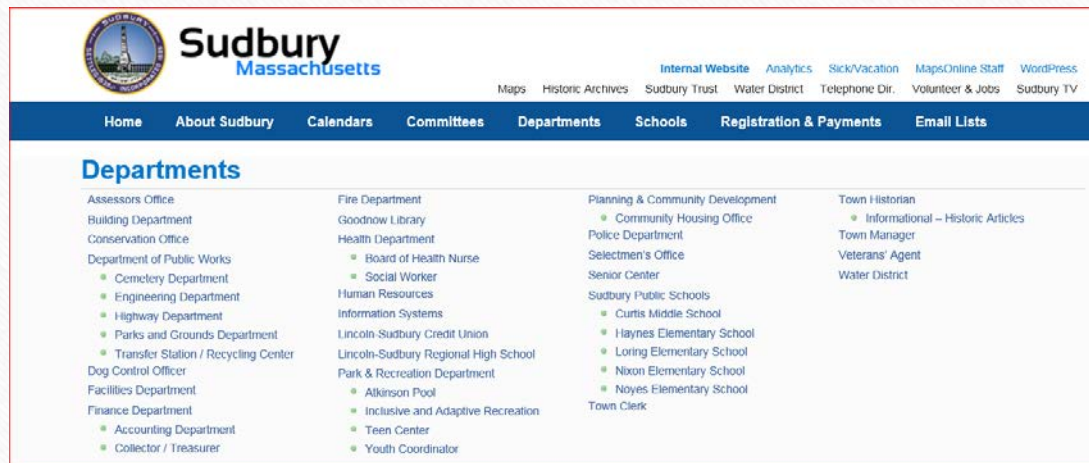
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Cannot stress enough how much information is contained in the budget document each year!

[https://sudbury.ma.us/finance/?attachment\\_id=124](https://sudbury.ma.us/finance/?attachment_id=124)

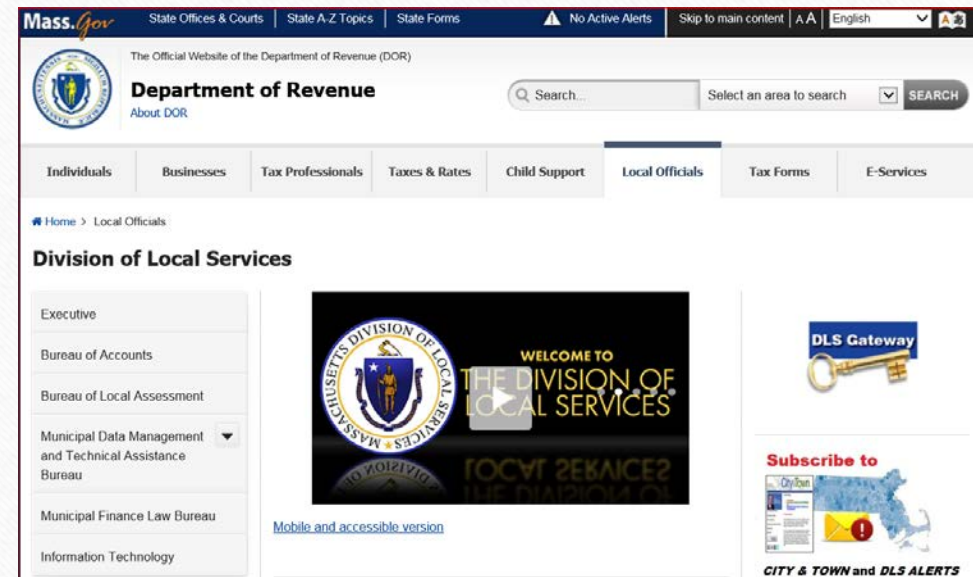
# For additional financial information, tutorials and other references go to:

[www.Sudbury.ma.us](http://www.Sudbury.ma.us)



The screenshot shows the homepage of the Sudbury, Massachusetts website. The header features the town's logo and name, followed by a navigation menu with links to Home, About Sudbury, Calendars, Committees, Departments, Schools, Registration & Payments, and Email Lists. Below the menu, there is a 'Departments' section with a grid of links to various town departments and services, including the Assessors Office, Fire Department, Planning & Community Development, and Town Historian.

<http://www.mass.gov/dor/local-officials/>



The screenshot shows the 'Local Officials' page of the Massachusetts Department of Revenue (DOR) website. The header includes the Mass.gov logo and navigation links for State Offices & Courts, State A-Z Topics, and State Forms. The main content area is titled 'Division of Local Services' and features a list of links to various services, including Executive, Bureau of Accounts, Bureau of Local Assessment, and Municipal Data Management. A large banner image with the text 'WELCOME TO THE DIVISION OF LOCAL SERVICES' is prominently displayed. To the right, there is a 'DLS Gateway' link and a 'Subscribe to CITY & TOWN and DLS ALERTS' button.