

# Explanation of Fund Balance

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Governmental funds report the difference between their assets and liabilities as *fund balance*. Under Generally Accepted Accounting Principles (GAAP) fund balance is divided into reserved and unreserved portions. The *reserved fund balance* isolates the portion of fund balance that is not available for appropriation to the next budget. Under GAAP the *unreserved fund balance* can be further divided into designated and undesignated portions with the *designated fund balance* representing intended uses of fund balance. Designating the use of fund balance is a powerful tool in prudent fiscal planning, allowing governments to manage their future fiscal health. *Unreserved/undesignated fund balance* is fully available for appropriation and, under the Code of Public Local Laws of Carroll County Article 7, 3-62(19), must be appropriated to the next budget following the completion of an independent financial audit of those funds.

The reservation of fund balance is necessary for two reasons:

- *Resource not available for spending.* Some of the assets reported in governmental funds are not available for spending in the subsequent year's budget. For example, a long-term loan receivable is not available for current spending.
- *Legal restrictions on spending.* Fund balance also is reserved to indicate situations where a portion of fund balance is not available for new spending because of legal restrictions involving parties outside the financial reporting entity. A common example is funds reserved for encumbrances.

The designation of funds is a fiscal tool used to ensure the County's fiscal stability. Some examples of designations include:

- *Stabilization Fund.* The County maintains a stabilization fund of 3% of budget to provide a reserve against certain specified conditions including a natural disaster or a sudden and unexpected drop in revenues.
- *Medical Claims Reserve.* The County is self-insured for medical and hospitalization costs and maintains a reserve against a short-term rise in claims experience.

# Projected Fund Balance

Projected for 6/30/03  
as of 5/30/03

<b>Beginning Fund Balance</b>	<b>\$61,719,561</b>
Revenues <sup>1</sup>	222,934,250
Expenditures	(237,223,000)
Bond Proceeds	791,859
<b>Projected Ending Fund Balance</b>	<b>\$48,222,670</b>
<b>Reserved Funds</b>	
Loans to Carroll County General Hospital	\$295,071
Loans to Volunteer Fire Companies	8,298,925
Encumbrances	600,000
Inventory	999,100
Loans to Municipalities	387,796
Loans for Economic Development	2,406,637
Advances to Industrial Development Authority	2,439,849
<b>Total Funds Reserved</b>	<b>\$15,427,378</b>
<b>Unreserved/Designated Funds</b>	
Stabilization Fund	\$6,900,000
Subsequent Years' Expenditure of Undesignated/Unreserved Fund Balance <sup>2</sup>	\$9,556,782
Lien Certificates	15,000
Workers Compensation Claims Reserve	400,000
Vehicle Replacement Reserve	500,000
Volunteer Firemen's Assoc. Length of Service Award Program (LOSAP0	7,000,000
Ag Center Loan	2,095,000
Emergency Health Fund	10,000
Short-Term Reserve	3,850,000
Medical Claims Reserve	1,400,000
<b>Total Funds Unreserved But Designated</b>	<b>\$31,726,782</b>
Projected Ending Fund Balance	\$48,222,670
Reserved Fund Balance	15,427,378
Unreserved/Designated Fund Balance	31,726,782
<b>Unreserved/Undesignated Fund Balance</b>	<b>\$1,068,510</b>

<sup>1</sup> \$15,235,394 of FY 03 expenditures were funded by the planned use of FY 01 undesignated/unreserved fund balance.

<sup>2</sup> \$9,556,782 is planned used of FY 02 undesignated/unreserved fund balance for FY 04 expenditures.