

# 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 General Fund Balance

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Projected for 6/30/08  
as of 7/24/07

<b>Beginning Fund Balance</b>	<b>\$73,543,719</b>
Revenues <sup>1</sup>	318,829,358
Expenditures	(323,372,000)
<b>Projected Ending Fund Balance</b>	<b>\$69,001,077</b>

## **Reserved Funds**

Loans to Volunteer Fire Companies	15,383,630
Encumbrances	2,100,000
Inventory	1,149,677
Loans to Municipalities	302,772
Loans for Economic Development	5,305,933
Advances to Industrial Development Authority	1,132,065
Agricultural Preservation IPA Payables	11,244,622
<b>Total Funds Reserved</b>	<b>\$36,618,699</b>

## **Unreserved/Designated Funds**

Stabilization Fund	\$10,625,000
Subsequent Years' Expenditure of Undesignated/Unreserved Fund Balance	5,137,342
Lien Certificates	15,000
Workers Compensation Claims Reserve	400,000
Vehicle Replacement Reserve	500,000
Short-Term Reserve	6,000,000
Medical Claims Reserve	1,400,000
Loan to Warfield Development	30,036
<b>Total Funds Unreserved But Designated</b>	<b>\$24,107,378</b>

Projected Ending Fund Balance	\$69,001,077
Less Reserved Fund Balance	36,618,699
Less Unreserved/Designated Fund Balance	24,107,378
<b>Unreserved/Undesignated Fund Balance</b>	<b>\$8,275,000</b>

<sup>1</sup> \$12,891,533 of FY 07 expenditures were funded by the planned use of FY 05 undesignated / unreserved fund balance.

# Summary of FY 06 Fund Balances

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Actual FY 06\*

	General Fund	Capital Fund	Internal Service Fund	Grant Fund	Pension Fund	Special Revenue Fund
<b>Restricted</b>	\$29,544,723	\$12,857,709	\$0	\$0	\$22,915,439	\$0
<b>Unrestricted</b>	44,760,531	79,972,189	5,054,120	0	0	9,395,177
<b>Total Fund Balances</b>	\$74,305,254	\$92,829,898	\$5,054,120	\$0	\$22,915,439	\$9,395,177

Actual FY 06\*

	Solid Waste Enterprise	Utilities Enterprise	Airport Enterprise	Septage Enterprise	Firearms Enterprise	Total Fund Balance
<b>Restricted</b>	\$2,316,702	\$9,762,399	\$32,471	\$0	\$0	\$77,429,443
<b>Unrestricted</b>	(8,070,392)	12,814,409	(1,292,504)	131,261	77,978	142,842,769
<b>Total Fund Balances</b>	(\$5,753,690)	\$22,576,808	(\$1,260,033)	\$131,261	\$77,978	\$220,272,212

\* FY 06 CAFR