

# 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

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Projected for 6/30/10  
as of 4/20/10

|   |                     |
|---|---------------------|
| <b><u>Beginning Fund Balance, 7/1/09</u></b>  | <b>\$77,265,747</b> |
| Revenues <sup>1</sup>                         | 328,700,000         |
| Expenditures                                  | (343,913,006)       |
| Bond proceeds, premium, and redemption        | 2,300,249           |
| Non-Cash Notes                                | 3,090,430           |
| <b>Projected Ending Fund Balance, 6/30/10</b> | <b>\$67,443,420</b> |

## **Reserved Funds**

|  |                     |
|--|---------------------|
| Loans to Volunteer Fire Companies            | 12,930,424          |
| Encumbrances                                 | 1,100,000           |
| Inventory                                    | 1,034,714           |
| Prepaid expenses                             | 195,111             |
| Loans to Municipalities                      | 158,337             |
| Loans for Economic Development               | 5,411,393           |
| Advances to Industrial Development Authority | 1,145,560           |
| Agricultural Preservation IPA Payables       | 13,597,032          |
| <b>Total Funds Reserved</b>                  | <b>\$35,572,571</b> |

## **Unreserved/Designated Funds**

|   |                     |
|---|---------------------|
| Stabilization Fund  | \$10,700,000        |
| Subsequent Years' Expenditure of Undesignated/Unreserved Fund Balance | 8,103,281           |
| Lien Certificates   | 15,000              |
| Workers Compensation Claims Reserve                                   | 400,000             |
| Vehicle Replacement Reserve   | 500,000             |
| Short-Term Reserve  | 6,750,000           |
| Medical Claims Reserve  | 1,400,000           |
| <b>Total Funds Unreserved/Designated</b>                              | <b>\$27,868,281</b> |

## **Summary**

|   |                    |
|---|--------------------|
| Projected Ending Fund Balance, 6/30/10      | \$67,443,420       |
| Less: Reserved Fund Balance                 | (35,572,571)       |
| Less: Unreserved/Designated Fund Balance    | (27,868,281)       |
| <b>Unreserved/Undesignated Fund Balance</b> | <b>\$4,002,567</b> |