

THE UNDESIGNATED FUND, THE FUND BALANCE, RAINY DAY FUND...WHAT ARE WE TALKING ABOUT?

- ❖ The Undesignated Fund is a term used in a variety of ways by financial professionals. Unfortunately, this complicates the ability to understand the meaning. Historically, in South Berwick the term Undesignated Fund has been used interchangeably with the term Fund Balance.
- ❖ The Fund Balance is the difference between the revenues and the expenditures of an agency on a certain date, typically the end of a fiscal year (June 30th).
- ❖ A Rainy Day Fund can be an undesignated fund, or as is the case in the State of New Hampshire, it is a reserve fund for Revenue Stabilization.

Q: How is the term "Fund Balance" defined for South Berwick?

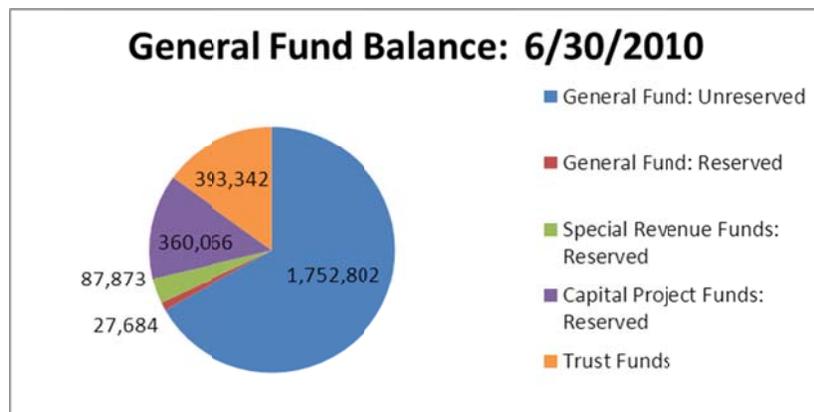
A: South Berwick's audit states "Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated."

Q: What does the sentence above mean in general terms?

A: The Town's Fund Balance is made up of all the funds under the municipality's control.

These funds include:

- designated funds for specific projects such as capital accounts for planned equipment purchases
- grant funds received not yet expended
- bond proceeds received not yet expended i.e., Library Construction Bond
- special revenue funds raised for a specific purpose i.e., summer camp, senior citizen meals or the community garden
- funds collected on behalf of an agency, but not yet forwarded, such as motor vehicle registrations and fishing licenses
- expenses pending payment
- trust funds
- funds not designated for a particular purpose (cash on hand)



Q: Why limit how much of the Fund Balance we use to offset taxes?

A: As illustrated above, a significant portion of the fund balance is reserved. The amount remaining, the cash on hand is used to pay expenses until tax revenues are collected. The town's cash flow will be more fully described in the next paper.

http://www.gasb.org/cs/ContentServer?c=GASBContent_C&pagename=GASB%2FGASBContent_C%2FUsersArticlePage&cid=1176156737123