Understanding the Fund Balance

In government accounting, fund balance is the difference between assets and liabilities resulting in a surplus or a deficit. A common misconception is that fund balance is a cash account, associated with or correlated to a government's bank account balance. But unlike a personal bank account, a general fund balance is not a "cash-account;" it is a measure of equity between revenues and expenditures. Government fund accounting is unique to the public sector (i.e. cities, towns, schools) and requires separate self-balancing accounting entries to track each fund's revenues and expenditures. In the private sector it would be defined as a company's working capital, but in the public sector, it is referred to as fund balance. In government finance, the retention and use of unassigned fund balance assists in measuring the financial health of an individual fund, such as the general fund.

Fund balance is the total accumulation of operating surpluses and deficits since the beginning of a local government's existence.

Fund balance = Assets - Liabilities

Surplus / deficits= the difference between a unit's revenues and expenditures for a fiscal year

Revenues- expenses = surplus

Tax Rate Setting Process

At the beginning of every budget cycle, the current approved appropriations, the estimated current revenues, and the MS 1 (inventory of valuation) are utilized to calculate the tax rate.

The budget process starts at zero every year and the tax rate is calculated based on all the individual warrants.