

No item in the financial statements of counties, cities, school districts, and other types of governments gets more attention than **fund balance**. That may be why there are so many questions about it—from citizens, city council members, advocacy groups, journalists, and others.

This guide is designed to help make sense of fund balance—offering clear, accessible explanations for anyone seeking to understand what it really means.

## *What Is Fund Balance?*

Fund balance is the dollar amount of financial resources a government has available to support its bread-and-butter services—like police, fire, education, and parks. It represents what's left over after a government uses its cash and other quickly convertible assets to pay off its outstanding bills and current liabilities. Fund balance is reported in the balance sheet for the governmental funds.

## *Can All of Fund Balance Be Spent?*

No. Some portions of fund balance are reported as **nonspendable fund balance** because they either (1) *cannot legally be spent* (such as a donation that can be invested and the earnings spent, but not the donated amount itself) or (2) *are not in a spendable form* (e.g., inventory). The remaining four components of fund balance can be spent, but some may be restricted for specific purposes based on legal or policy requirements.

## *What Do Those Components Mean?*

The “spendable” portion of fund balance may be reported in up to four separate categories, depending on the situation. Divvying fund balance this way helps clarify whether there are limitations on how the resources can be used and how difficult it may be to change or remove those limitations. These categories are listed in order from the most restrictive constraints to the least. The table below explains each piece of fund balance in more detail.

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Fund Balance Component	Description	Examples	Can the Spending Constraint Be Changed
<b>Nonspendable fund balance</b>	Resources that are not in a spendable form or are not allowed to be spent	<ul style="list-style-type: none"> <li>Inventory, prepaid rent, loans receivable</li> <li>The principal of a perpetual cemetery fund</li> </ul>	No, by definition
<b>Restricted fund balance</b>	Resources that are legally limited by someone other than the government	<ul style="list-style-type: none"> <li>Federal education grants</li> <li>State grants for road repairs</li> <li>Property tax levies created for repaying debt</li> </ul>	<ul style="list-style-type: none"> <li>Possibly, but would require permission of the resource provider</li> <li>Any change is likely to be to a similar purpose, not a removal of the limitation</li> </ul>
<b>Committed fund balance</b>	Resources that are legally limited by the government itself using its highest level of decision-making authority	<ul style="list-style-type: none"> <li>Earmarking 0.5% of an existing sales tax for K-12 education</li> <li>Entrance fees for county parks dedicated to operating and maintaining the parks</li> </ul>	<ul style="list-style-type: none"> <li>Yes, if the government uses the same highest level of decision-making authority to change or remove the limitation</li> <li>Otherwise, the government can be legally compelled to restore any committed resources used for a different purpose</li> </ul>
<b>Assigned fund balance</b>	Resources for which the government has officially identified an <i>intended</i> use	<ul style="list-style-type: none"> <li>Fund balance appropriated to help balance the next year's budget</li> <li>Amounts for paying down debt</li> </ul>	<ul style="list-style-type: none"> <li>Yes, because there are no legal limitations on how these resources can be used</li> <li>However, amounts appropriated in the next year's budget may be spoken for</li> </ul>
<b>Unassigned fund balance</b>	Resources with no limitations at all as to how they can be used		



## Is There an Amount That Represents Money That Can Be Spent on Any Purpose?

Yes, the **unassigned fund balance** reported in the *total governmental funds* column (not the amount in the general fund) represents funds with no limitations or restrictions.

## Where Can I Get More Information about Fund Balance?

Understanding fund balance can be challenging—even for those who regularly work with government financial statements. If you have questions about how fund balance is classified, reported, or used, we're here to help.

### Reach out to CRI

Not only do we have the answers to your questions, but we also provide the clarity and context needed to make informed decisions. Whether you need help interpreting financial statements, preparing to present to stakeholders, or navigating reporting requirements, our team is here to support you every step of the way.