

## Five Components of Fund Balance

- 1. Nonspendable Fund Balance** – (inherently nonspendable)
  - Cannot be spent because of the form (i.e. inventory, long term receivables)
  - Must be maintained intact (i.e. principal of an endowment)
  
- 2. Restricted Fund Balance** – (externally enforceable limitations on use)
  - Can be spent only for the specific purposes imposed by grantors, creditors, contributors or laws and regulations of other governments (i.e. State Statue, Powell Funds, Federal and State forfeitures, Home Funds)
  - Can be spent according to laws through constitutional provisions or enabling legislation
  - Effectively, restrictions may be changed or lifted only with the consent of the resource providers
  
- 3. Committed Fund Balance** – (self-imposed limitations set in place prior to the end of the period)
  - Can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority
  - Required formal action at the same level to remove the limitation
  - Formal action must be taken prior to the government's year-end
  
- 4. Assigned Fund Balance** – (limitation resulting from intended use)
  - Intent can be expressed by the governing body or by an official or body to which the governing body designates the authority (i.e. encumbrances)
  - In governmental funds other than the general fund, the assigned fund balance represents the amount that is not restricted or committed which indicates that these resources are, at a minimum, intended to be used for the purpose of that fund (i.e. debt proceeds)
  - A government cannot assign resources that it does not have; therefore, the amount reported as assigned fund balance can never exceed total fund balance less its nonspendable, restricted and committed components
  - The portion of fund balance appropriated to balance the following year's budget would be classified as assigned.
  
- 5. Unassigned Fund Balance** – (residual net resources)
  - Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance.