



## Classifying Fund Balances

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Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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**Reference Number:** MTAS-580

Classifying fund balances for compliance with this standard requires governments to assess decisions made throughout the year regarding how resources are intended to be spent. Some of the steps necessary to properly classify fund balances include:

- Determine if the government has non-spendable assets such as inventory, pre-paid expenditures or long-term receivables (due from other funds) that should be classified.
- Locate any resolution or ordinance that earmarks a specific revenue stream or available resources for a specified purpose.
- Identify any restrictions placed on resources by external parties such as debt covenants and state or federal law.
- Document if authority has been given to a committee or individual to assign resources and create a list of assignments made by those parties.

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**Source URL (retrieved on 01/17/2020 - 1:49pm):** <https://www.mtas.tennessee.edu/reference/classifying-fund-balances>



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