



FY25 Governmental Fund Balance Classification Training June 11, 2025

5 Possible Classifications

- ▶ Nonspendable
- ▶ Restricted
- ▶ Committed
- ▶ Assigned
- ▶ Unassigned

Unassigned

- ▶ The residual classification for the General Fund.
- ▶ This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.
- ▶ Other governmental fund balances should only be classified as unassigned if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes (i.e., a deficit fund balance).

Unassigned (continued)

- ▶ Examples of Unassigned:
 - ▶ General Fund surplus
 - ▶ Contingency Reserve Fund (46630000)
 - ▶ Capital Reserve Fund (45760000)
 - ▶ General Reserve Fund (47130000)
 - ▶ Warrant Revolving Fund (32580000)
 - ▶ Litigation Recovery Account (31L30000)
 - ▶ Unclaimed Property Fund (38790000)
- ▶ Aside from the funds listed above, only funds beginning with a 1 or 2 should be classified as unassigned and should not be changed by the agency for any reason.
 - ▶ Any General Fund appropriation carryforwards will be reclassified by CGO based on data obtained from SCEIS (i.e., no reporting by the agency is necessary)

Assigned

- ▶ Amounts that are constrained by the government's intent to be used for specific purposes, but don't meet the criteria to be classified as restricted or committed.
- ▶ Intent should be expressed by a) the governing body itself or b) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- ▶ The nature of the actions necessary to remove or modify an assignment is less formal and not as prescriptive as it is for committed fund balance.
- ▶ For governmental funds other than the general fund, all remaining **positive** fund balance that is not classified as nonspendable, restricted, or committed would be classified as assigned.

Assigned (continued)

- ▶ For the State specifically, assigned fund balances represent amounts that are unavailable for appropriation and are not classified as nonspendable, restricted, or committed. Assignments are generally made by appropriation actions of the legislature.
- ▶ Examples of Assigned:
 - ▶ Fund resources constrained by The Appropriations Act (budget, provisos), Continuing Resolution, Capital Reserve Fund bill, SC Code of Regulations, and MOUs with other State agencies
 - ▶ Any funds classified as Capital Project Funds (unless federally funded)
 - ▶ Agency carryforward amounts of General Fund appropriations (special and general)

Committed

- ▶ Amounts that can only be used for specific purposes determined by formal action of the government's highest level of decision-making authority (i.e., legislative and/or executive branches).
- ▶ Committed amounts in fund balance can't be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (ex. legislation) it employed to previously commit those amounts.
 - ▶ May be redeployed for other purposes with appropriate due process.
- ▶ Committed fund balance should also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- ▶ The legislation that imposes restrictions on the use of committed fund balance is separate from the legislation that created the revenue source.
 - ▶ Compliance with constraints imposed by the government that commit amounts to specific purposes is not considered to be legally enforceable.

Committed (continued)

- ▶ For the State specifically, committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the legislature.
 - ▶ Constraints are created by an Act codified in State statute (i.e., SC Code of Laws) that placed constraints on resources, but did not authorize a revenue source from an external party and/or is not considered “legally enforceable”.
- ▶ Example of Committed:
 - ▶ The SC Resilience Revolving Fund created by 2020 Act No. 163 (codified as SC Code of Laws Title 48, Chapter 62, Article 3) that required fund resources to be used for hazard mitigation and infrastructure improvement loans and grants to other State agencies, local governments, or land trusts.
 - ▶ 2020 Act No. 163 did not authorize a new revenue source to fund the loans/grants and nonrecurring General Fund appropriations have been a significant revenue source for the SC Resilience Revolving Fund.

Restricted

- ▶ Applicable when constraints placed on the use of resources are either:
 - ▶ Externally imposed by creditors (e.g., debt covenants), grantors, contributors, or laws/regulations of other governments.
 - ▶ Imposed by law through constitutional provisions or enabling legislation.
 - ▶ Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources from external resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
 - ▶ Legal enforceability means that a government can be compelled by an external party (ex. citizens, public interest groups, or the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Restricted (continued)

- ▶ Enabling legislation is considered a compact with the resource providers that the revenues raised pursuant to that legislation would be used only for the promised purpose.
- ▶ Per GASB 46, the enforceability of an enabling legislation restriction is determined by professional judgment.
 - ▶ Enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction.

Restricted (continued)

- ▶ What is Considered Enabling Legislation by the State: An Act codified in State statute (i.e., SC Code of Laws) that a) authorizes a State agency to assess, levy, charge, or otherwise mandate payment from an external party and b) includes a requirement that the revenue collected be used for purposes specific enough that c) the State could be compelled by an external party to use the resource only as specified (i.e., requirement is legally enforceable).
- ▶ Examples of Restricted:
 - ▶ Grant programs (originally awarded by non-State entities)
 - ▶ Donations/contributions made with restrictions
 - ▶ Expendable portion of a Permanent fund
 - ▶ Legal settlements that stipulate restrictions
 - ▶ Education Improvement Act funds
 - ▶ Infrastructure Maintenance Trust Fund
- ▶ Grants awarded to a State agency from another State agency may be classified as committed or assigned, rather than restricted, if the grant is funded using State appropriations or other State funds that are classified as committed or assigned for the State agency awarding the grant.

Nonspendable

- ▶ Amounts that can't be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- ▶ “Not in spendable form” includes items not expected to be converted to cash (ex. inventory or prepaid expenses), noncurrent amount of receivables, and property acquired for resale.
 - ▶ If use of the proceeds from the collection of noncurrent receivables and/or the sale of property acquired for resale is restricted, committed, or assigned, then those amounts should be classified as restricted, committed, or assigned rather than nonspendable.
 - ▶ For this reason, only noncurrent receivables in funds beginning with a 1 or 2 are considered for inclusion in the nonspendable classification.
- ▶ The principal portion of a Permanent Fund is also classified as nonspendable.
 - ▶ Trust agreement, will, or State statute will specify that the principal must be kept intact and earnings on principal must be used for a specific purpose.
 - ▶ Fund for earnings generally is separate from fund for principal.