

FUND BALANCE

Code **DFAC** Issued **5/18**

I. Purpose

The purposes of this policy are to promote sound fiscal practices, to ensure adherence to Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions) issued by the Governmental Accounting Standards Board (GASB), as well as to meet the requirements of South Carolina statute Act 23 of 2017, South Carolina Ann. § 59-20-90 (2017). This policy will ensure that the Charleston County School District complies with the requirements of GASB 54, and Act 23 of 2017, South Carolina Ann. § 59-20-90 (2017), and maintains adequate fund balances and reserves in order to:

- A. Secure and maintain investment grade bond ratings;
- B. Offset significant economic downturns or revenue shortfalls;
- C. Provide funds for unforeseen emergencies; and
- D. Set aside financial resources for known obligations.

II. Definitions

- A. A fund balance is the difference between assets and liabilities. When assets are greater than liabilities, the balance is positive.
- B. GASB 54 provides for five types of fund balances:
 - 1. Non-spendable fund balance – Amounts that are not in a spendable form and not expected to be converted to cash (e.g., inventory, prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent principal of endowment funds).
 - 2. Committed fund balance – The committed fund balance classification reflects amounts that can be used only for the specific purposes determined by a formal action of the board. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally (e.g., the board's commitment in connection with future construction projects, budget stabilization).
 - 3. Restricted fund balance – The restricted fund balance classification is based on amounts upon which constraints are placed on the use of resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation (e.g., Qualified School Construction bond debt).
 - 4. Assigned fund balance – The assigned fund balance classification reflects amounts that are considered by the board's intent, as delegated to the superintendent, to be used for specific purposes, but meet neither the criteria to be considered restricted or committed funds.
 - 5. Unassigned fund balance – The unassigned fund balance classification is applied to all amounts not contained in other classifications and is the residual classification for the general fund only. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report deficit fund balances as unassigned.

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III. Policy Standards

A. Authority to Create Committed Fund Balances

1. The authority to commit fund balances to a specific purpose shall be done by formal action or vote of the board. Once the action has been taken, the committed funds cannot be used for any other purpose unless the commitment is rescinded by formal board action. The action to commit must occur prior to the end of the fiscal year, but the specific amount of the Committed funds may be determined in the subsequent fiscal year.
2. Funds that are committed for budget stabilization purposes shall only be committed and used to assist the district in recovering from a financial situation that has resulted in the district's inability to meet critical, non-recurring obligations, (e.g., inability to meet payroll, expenditures for flood damages to multiple schools, and other such non-recurring events).
3. Act 23 of 2017, South Carolina Ann. § 59-20-90 (2017), "...requires school districts to maintain a general reserve fund of at least one month of general fund operating expenditures of the previous two completed fiscal years." The Government Finance Officers Association (GFOA) best practices on fund balance requirements recommend a reserve of at least two months of expenditures. The board shall maintain a minimum of ~~150%~~ 75% of the Act 23 of 2017, South Carolina Ann. § 59-20-90 (2017) ~~the GFOA recommended required this~~ amount as a budget stabilization fund in the committed fund balance category. The remaining percentage required to comply with this standard of two months of expenditure ~~statue~~ shall be carried in the unassigned fund balance category.

B. Authority to Create Assigned Fund Balances

1. Except for the use of fund balances to balance the subsequent year's budget, the authority to create assigned fund balances to specific purposes is delegated to the superintendent/designee. The authority to assign fund balances for the purpose of balancing the subsequent year's budget shall be done by formal action of the board. The superintendent/designee may create assigned fund balances after year end.
2. The assigned fund balance may be used to reserve funds to be allocated to specific strategic initiatives, projects, or programs that are implemented over multiple fiscal years.

C. Unassigned Fund Balance

The Unassigned fund balance shall, as a minimum, consist of the difference between the budget stabilization amount assigned in the committed fund balance and ~~200%~~ 100% of the amount required to comply with Act 23 of 2017, South Carolina Ann. § 59-20-90 (2017). If the unassigned fund balance amount goes below this minimum, a plan shall be developed, including timelines, to bring the balance back to the required minimum.

Adopted 7/24/95; Revised 5/12/03, 9/12/05, 6/8/15, 5/23/16, 5/22/17, 5/21/18

Legal References:

A. Other references:

1. Statement No. 54 of the Governmental Accounting Standards Board (GASB), *Fund Balance Reporting and Governmental Fund Type Definitions*, No. 287-B (February 2009).

Charleston County School District

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[4.2. Government Finance Officers Association Best Practices: Fund Balance Guidelines for the General Fund.](#)

**CCSD Committed Fund Balance
Current Policy vs. Proposed Policy**

	Currently Required	Actual	Proposed
Required (1-month vs. 2-months)	40,000,000	40,000,000	80,000,000
% required in Committed Fund Bal. (75% vs. 150%)	<u>30,000,000</u>	<u>40,000,000</u>	<u>60,000,000</u>
Amount short (carry in Unassigned Fund Bal.)	10,000,000	-	20,000,000
Total of committed plus unassigned	40,000,000	40,000,000	80,000,000

Note 1: numbers reflect June 30, 2019 financial statements

Note 2: current amount of unassigned fund balace = \$48M