



MONTGOMERY COUNTY, TEXAS

FUND BALANCE POLICY

Prepared by County Auditor

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Fund Balance Policy

Fund Balance Classifications

In accordance with Governmental Accounting Standards Board (GASB) requirements, as outlined in Statement 54, the County's Fund Balances will be classified into 5 categories: Non-spendable, Restricted, Committed, Assigned and Unassigned.

- Non-spendable Fund Balance – Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of fund balances that are classified as non-spendable include inventories and pre-paid items.
- Restricted Fund Balance – Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Examples of fund balances that are classified as restricted would include grant obligations and potential repayments, special revenue fund balances and debt service.
- Committed Fund Balance – Represents amounts that can only be used for specific purposes that have imposed constraints by formal action of the government's highest level of decision making authority. The Commissioners Court represents the highest level of decision making authority for Montgomery County. The Court shall approve all commitments, as well as removal of commitments, by quorum vote. Examples of fund balances that are classified as committed would include uses of the proceeds from the sale of the Joe Corley Detention Facility as approved by Commissioners' Court.
- Assigned Fund Balance – Represents the amounts that reflect a government's intended use of resources. Such intent would be established at either the highest level of decision making authority, or by an official designated for that purpose. The Commissioners' Court delegates the responsibility of assigning funds to the County Auditor. Assignments may be necessary for items such as other post-employment benefits, claims and judgments, transfers to special revenue funds, etc.
- Unassigned Fund Balance – Represents the residual amount in the general fund which has not been restricted, committed, or assigned to specific purposes.

Governmental Fund Types:

- Debt Service Funds - Fund balance in these funds will be restricted for the payment of principal and interest on debt service obligations. Any funds that are remaining after all debt is extinguished will be transferred to the general fund to be used for any general purpose.
- Capital Project Funds - Fund balance in the capital funds will be classified as restricted to the purpose for which the debt was issued.
- Special Revenue Funds - Fund balance in the special revenue funds will be classified as restricted to the extent that the proceeds are generated through enabling legislation or externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

- General Fund - Fund balance in the general fund will be classified as restricted, nonspendable, committed, assigned or unassigned.

Order of Resource Use:

When expenditures are incurred for purposes for which restricted and unrestricted funds are available, it is the County's policy to use restricted funds first. When expenditures are incurred for purposes for which amounts in unrestricted funds are available, the county will consider first reducing committed funds, then assigned, followed by unassigned.

Minimum Fund Balance Policy:

Commissioners' Court has established a minimum fund balance policy with the intent to maintain a minimum unassigned fund balance in the general operating fund of 10 to 15 percent of the general fund annual operating expenditures for the fiscal year being closed as presented in its annual financial report. If the actual fund balance drops below 10%, it shall be budgeted for recovery the following year.

First iteration: March 7, 2014

Revised: August 25, 2015

Updated: September 14, 2020, effective upon commissioners' court approval