

Midway Star

FUND BALANCE POLICY

Adopted: August, 2022

I. PURPOSE

The purpose of this policy is to acknowledge the fiscal responsibility that Midway's directors have for running a public charter school. This fund balance policy is to help guide in decision making and to be in compliance with all local, state and federal rules as well as internal rules decided by the board of directors. Reporting shall comply with the reporting guidelines specified in Statement No.54 of the Governmental Accounting Standards Board (GASB). At all times the board shall maintain fiscal integrity and ensure there are adequate funds to cover the obligation of the school.

II. DEFINITIONS

A. "Assigned" fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school districts intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

B. "Committed" fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.

C. "Enabling legislation" means legislation that authorizes a school district to assess, levy, charge, or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes listed in the legislation.

D. "Fund balance" means the arithmetic difference between the assets and liabilities reported in a school district fund.

E. "Nonspendable" fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

F. "Restricted" fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

G. "Unassigned" fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

H. "Unrestricted" fund balance is the amount of fund balance left after determining both nonspendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

III. CLASSIFICATION OF FUND BALANCES

Fund balances shall take one or more of the following five classifications: non-spendable, restricted, committed, assigned, and unassigned.

IV. ORDER OF RESOURCE USE

If resources from more than one fund balance classification could be spent, it shall be spent from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

V. COMMITTING FUND BALANCE

A majority vote of the board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

VI. MINIMUM FUND BALANCE

Midway Star will strive to maintain a minimum unassigned general fund balance of 15-20% percent of the annual budget. Should the unassigned fund balance fall below 15%, the board of directors shall require all information available from the Executive Director and Midway's accountant/financial services provider. The board shall discuss the issues in full and put the reasons for the event in the minutes and shall create a plan for avoiding the situation as much as feasibly possible going forward which will include generating additional revenue as well as a reduction in expenses.

VII. ANNUAL REVIEW

The board of directors will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.