
I. PURPOSE

The following policy has been adopted by the Governing Board in order to address the implications of Governmental Accounting Standards Board (“GASB”) Statement No. 54, Fund Balance Reporting and Governmental Fund Definitions. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of Athlos Academy of St. Cloud and jeopardize the continuation of necessary public services. This policy will ensure that Athlos Academy of St. Cloud maintains adequate fund balances and reserves in order to:

1. Provide sufficient cash flow for daily financial needs;
2. Secure and maintain investment grade bond ratings;
3. Offset significant economic downturns or revenue shortfalls; and
4. Provide funds for unforeseen expenditures related to emergencies.

II. DEFINITIONS

- A. Fund type definitions. The following definitions will be used in reporting activity in governmental funds across Athlos Academy of St. Cloud. Athlos Academy of St. Cloud may or may not report all fund types in any given reporting period, based on actual circumstances and activity.
1. *The general fund* is used to account for all financial resources not accounted for and reported in another fund.
 2. *Special revenue funds* are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
 3. *Debt service funds* are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
 4. *Capital projects funds* are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
 5. *Permanent funds* are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support Athlos Academy of St. Cloud’s purposes.

- B. Fund balance will be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:
1. *Nonspendable fund balance* includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):
 - a. Athlos Academy of St. Cloud will maintain a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of Athlos Academy of St. Cloud)
 - b. Athlos Academy of St. Cloud will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance)
 - c. Athlos Academy of St. Cloud will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact
 - d. Athlos Academy of St. Cloud will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale
 2. *Restricted fund balance* includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
 3. *Committed fund balance* includes amounts that can be used only for the specific purposes determined by a formal action of Athlos Academy of St. Cloud's Governing Board. A two-thirds majority vote is required to remove a commitment.
 4. *Assigned fund balance* includes amounts intended to be used by Athlos Academy of St. Cloud for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
 5. *Unassigned fund balance* includes the residual classification for Athlos Academy of St. Cloud's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

III. POLICY

- A. Operational guidelines. The following guidelines address the classification and use of fund balance in governmental funds:
1. Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.
 2. Encumbrance reporting – Encumbering amounts for specific purposes for which resources have already been restricted, committed or assigned should not result in separate display of encumbered amounts. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned, will be classified as committed or assigned, as appropriate, based on the definitions and criteria set forth in GASB Statement No. 54.
 3. Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of Athlos Academy of St. Cloud to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of Athlos Academy of St. Cloud that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.
- B. Minimum unassigned fund balance – Athlos Academy of St. Cloud will maintain a minimum unassigned fund balance in its General Fund that meets or exceeds the target described below. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.
1. Athlos Academy of St. Cloud’s ultimate target fund balance is 20%.
 2. In the first year of operation, Athlos Academy of St. Cloud will have a target fund balance of 1%
 3. The target fund balance will increase annually at a minimum of 1% per year and will reach the ultimate target fund balance in as few years as is fiscally responsible.

Fund Balance Policy

- C. Replenishing deficiencies – when fund balance falls below the minimum balance, Athlos Academy of St. Cloud will replenish shortages/deficiencies using the budget strategies and timeframes described below.
1. The following budgetary strategies shall be utilized by Athlos Academy of St. Cloud to replenish funding deficiencies:
 - a. The school will reduce recurring expenditures to eliminate any structural deficit or,
 - b. The school will increase revenues or pursue other funding sources, or,
 - c. Some combination of the two options above
 2. Minimum fund balance deficiencies shall be replenished within one year unless deemed impractical by the Director of School Finance.
- D. Surplus fund balance – Should unassigned fund balance of the General Fund ever exceed 30%, Athlos Academy of St. Cloud will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.
- E. Implementation and review – Upon adoption of this policy the Governing Board authorizes the Lead School Administrator to establish any standards and procedures which may be necessary for its implementation. The Lead School Administrator review this policy at least annually and make any recommendations for changes to the Governing Board.