

# Kenai Peninsula Borough School District

Policy Review Committee  
10:30 - 11:30 am, January 11, 2010

Borough Building, Conference Room A

## AGENDA

### Approval of notes from Policy Meetings of 10/19/10

### Review of Policies for Updating

- *BP 3270 Disposal of Books, Equipment and Supplies (Personal Property)* – To allow Borough Mayor to approve exceptions to the disposal of unused personal property via transfer to the Borough for disposal.
- *BP 5145.12 Search and Seizure* – To change the parameters regarding searching a student's possessions by school officials from "will seek" to "may seek" consent of student. This change has been approved by the attorney.
- *AR 6153 School Sponsored Trips* –
  - Add a guideline regarding the use of complimentary tickets by commercial touring companies.
  - Delete reference to *E 6153(b) Due Dates for Required Documents*
- *E 6153(b) Application for Complimentary Trip Tickets Waiver* – NEW form to be used for a student to apply to be considered for use of a complimentary ticket which may be given by a commercial touring company.

Discussion of need for fund balance policy. Review attached memo and *Best Practice* article.

Attachments:

# Board Policy Review Committee Meeting Notes

148 N. Binkley, Assembly Room  
Soldotna, AK 99669

## Meeting Notes

**Date/Time:** October 19, 2009/ 3:30 PM

**Members:** Sammy Crawford – Present                      Dave Jones – Present  
Liz Downing– Present                                      Mari Auxier – Secretary – Present  
John O’Brien – Absent  
Penny Vadla – Present

**Guests:** Jim White, Melody Douglas, Tim Navarre

**Approval of Minutes:** The minutes from 6/1/09 were approved.

### Review of Policies

- Discussion on possible inequity of disciplines: alcohol vs. bullying which can lead to fighting.
- Dave is still checking with Colette on the question as to why religion was not added to itemized discriminatory practices. Under *BP 6145.2 Interscholastic Competition*
- Question on whether an official recognition (such as a plaque) could be charged to the general fund vs. a sunshine fund. Melody confirmed that an “official recognition” could be charged to the general fund.
- *E 1321(a) Guidelines for Gaming/Raffles* and *E 1321(b) Gaming/Raffle Pre-Approval* – New Forms  
Each school needs to get its own gaming permit. These guidelines and pre-approval are to clarify some misunderstanding by the schools about what is needed to assure we stay within the parameters set up by the State. Move forward to worksession at 11/2/09 meeting.
- *E 3541.1(c) Booster Seat Safety Check* – additional information presented on previously adopted form. AS 28.05.095 states it is to be “determined by the driver” regarding the use of a booster seat for a children age 9-16 who still falls within the weight/height range as stated. Upon consultation with Legal, the District has chosen to additionally require a booster seat for children of age 9-16 who still fall within the weight/height range as stated. This is for the safety of our students.
- *BP 6146.1 High School Graduation Requirements* – Language eliminated which refers to graduations in year 2009 and beyond. Move forward to worksession/first read at 11/2/09 meeting.
- *AR 6162.71 Acceptable Use Policy/Internet Safety Policy* - Policy has been totally revised due to wireless expanding access, ERate requirements, email, blogs. Jim revised policy to be an educational process, laying out and addressing rules for potential problems. The Parent/Student Handbook does include the existing Internet Use Agreement policy, and we intend to include this revised policy.
  - Discussion on Caution on page 4: User-installed peer-to-peer networking at home may share ALL staff files. This would include confidential district files.

- Discussion on #10 on page 9 re not using District email to express religious or political views. With concern for these opinions being construed as being District opinions, this would also include emails sent on home computer with District email address.
  - Discussion on prohibition of using computer for personal business “on company time”.
  - Melody advised group that IRS is looking at use of computer equipment/software owned by a district which may also be used for personal use being taxable, i.e., staff given a computer and additionally using that computer for personal use.
  - Move forward to worksession/final read at 11/2/09 meeting.
- *E 6162.71(c) KPBSD Wireless Information – New Form.* This form tells a wireless user what they can access from the KPBSD wireless network. Must be “inside” to access files and print. Users from “outside” are unsecured.
- Jim also shared that email assigned by the District via Gmail is not filtered and could potentially receive questionable emails. Parents are given the option of opting out of Gmail and the form is in both policy and in the Parent Student Handbook.
  - Move forward to worksession/final read at 11/2/09 meeting.

**DISPOSAL OF BOOKS, EQUIPMENT AND SUPPLIES  
(PERSONAL PROPERTY)**

The School Board recognizes that the District may own personal property which is unusable, obsolete, or no longer needed by the District and that the disposal of such property may be in the best interests of the District. A listing of all items offered for auction will be made available to the principals prior to the date of sale.

The Superintendent shall transfer personal property which is unusable, obsolete, or no longer needed, to the Kenai Peninsula Borough for disposal. Exceptions shall be approved by the Borough Mayor.

*(cf. 3440- Inventories)*

**SEARCH AND SEIZURE**

The School Board is committed to maintaining an environment for students and staff which is safe and conducive to learning and working. The Board recognizes that incidents may occur where the health, safety and welfare of students and staff are jeopardized and which necessitate the search and seizure of students, their property or their lockers by school officials.

*(cf. 5145.11 - Questioning and Apprehension)*

The Board authorizes school officials to conduct searches of students, vehicles on school grounds owned or controlled by students, and other property owned or controlled by students when there are reasonable grounds or suspicion that the search will uncover evidence that the student is violating the law or the rules of the District or the school. The search shall be reasonably related in its scope to the circumstances which gave rise to the search. Items which are discovered as a result of authorized searches and found to be in violation of school policy may be subject to seizure by school officials and may also result in disciplinary action.

In determining whether reasonable cause for a search exists, school officials shall consider:

1. The student's age and previous behavior patterns.
2. The prevalence and seriousness in the school of the problem to which the search was directed.
3. The urgency requiring the search without delay.
4. The apparent value and reliability of the information used as a justification for the search.
5. The location of the student at the time of the incident which gave rise to reasonable suspicion.

The Board urges that discretion, good judgment and common sense be exercised in all cases of search and seizure. Before searching a student's possessions, school officials ~~will~~ may seek, but need not receive, the freely offered consent of the student. Regardless of whether the student consents to a search, the student shall cooperate with school officials conducting a reasonable search and seizure authorized by this policy. Whenever reasonably possible, a search of a student's person shall be conducted in the presence of the student's parent/guardian, a staff member, and/or the Principal. The parent/guardian of the student being searched shall be notified by the school official as soon after the search as possible.

**SEARCH AND SEIZURE (continued)**

A student's knowing refusal to cooperate with a search authorized by this policy shall result in a suspension of up to 45 days, and may result in a recommendation for expulsion to the School Board. The length of any such suspension must be reasonable: it must be related to the reasonableness of the student's conduct and the severity of the suspected violation. Prior to any such suspension or expulsion, the school administration must provide notice of this policy to the student. Evidence that written copies of this policy were distributed to all registered students before the incident shall create the presumption that the student had such notice. Written copies of this policy will be distributed to all registered students.

**Student Lockers**

Because lockers are under the joint control of the student and the District, school officials shall have the right and ability to open and inspect any school locker without student permission when they have reasonable suspicion that the search will disclose evidence of illegal possessions or activity or when odors, smoke, fire and/or other threats to student health, welfare or safety emanate from the locker.

For health and safety reasons, a general inspection of school properties such as lockers and desks may be conducted on a regular basis. Any items contained in a locker shall be considered to be the property of the student to whom the locker was assigned.

Notice of this entire policy shall be given to all students when lockers are assigned.

*(cf. 5131.6 – Alcohol and other Drugs)*

*(cf. 5131.7 - Weapons and Dangerous Instruments)*

**Legal Reference:**

ALASKA STATUTES

4 AAC 07.010 - 4 AAC 07.900 Student rights and responsibilities

New Jersey v. T.L.O., 469 U.S. 325 (1985)

**SCHOOL-SPONSORED TRIPS****General Guidelines**

These guidelines are considered minimum requirements, and the principal and Superintendent may add additional requirements depending on the nature, location and extent of the proposed field trip and the age, nature and experience of the sponsors, staff, students and operators.

**Guidelines**

Carefully planned field trips that are directly related to adopted curriculum are permitted, subject to the following guidelines:

1. Students must be supervised by a certified District teacher or other person approved by District administration.
2. All participants in the field trip must be either current students in KPBSD, KPBSD employees, or adults subject to the chaperone/volunteer requirements. Children who are not part of the group participating in the trip may not accompany parents when the parents serve as chaperones.
3. This trip must have educational value related to approved curricula.
4. Student safety shall be protected.
5. No student shall be required to attend a school-sponsored trip that is not part of the curriculum. School programs for students not traveling must continue at the level expected if the trip did not occur.
6. Student time out of other instructional programs shall be kept to a minimum. Students traveling must maintain their overall educational program and are responsible for making up assigned work in classes missed.
7. Student costs shall be kept to a minimum. Students are responsible for their own costs. Schools may provide financial options to ensure maximum participation by all interested and qualified students, regardless of their economic circumstance.
8. No student may be denied participation, for financial reasons, in a school-sponsored field trip that is integral to the curriculum and the instructional program.

**SCHOOL-SPONSORED TRIPS** (continued)

9. From time to time, commercial touring companies may offer complimentary tickets for a scheduled field trip by KPBSD. These tickets may be used for a band director, choir director, accompanist (in the case of a musical trip); a nurse (in the case of a documented medically fragile student); field trip organizer; or a student. For a student to be considered, Form E 6153 Application for Complimentary Trip Tickets Waiver must be completed for consideration by the Complimentary Trip Ticket Review Committee. The decision to use a particular touring company will not be based on the offering of complimentary tickets.
910. Students shall be expected to follow conduct rules that apply in school or during school-related activities. Students who violate these rules during a field trip are subject to regular discipline, including, but not limited to being sent home with a chaperone, if required, at parent expense.
1011. Whenever practical, chaperones accompanying students on trips that involve overnight travel shall be of the same sex as the students participating.
1112. Permission slips related to the specific trip and signed by the parent(s) or guardian(s) shall be secured prior to any field trip travel.
1213. Appropriate District-approved waivers of liability (*E 6153(f) Student Indemnification Statement Waiver of Liability*), signed by the parent(s) or guardian(s), shall be secured prior to any field trip travel.
13114. All school sponsored trips must be approved in advance, as set forth in *E 6153(d) Verification of Field Trip Information* (all field trips) and *E 6153(a) Preliminary Field Trip Preparation for Extended Out-of-State or International Field Trips*. Principals shall verify the quality of field trip preparations, plans, educational relevance, fund raising and sponsors.
1415. Parties denied approval for a trip may appeal that decision to the Superintendent. Denial by the Superintendent may be appealed to the Board.

(cf. 3541.1—Transportation: School-Related Trips)

(cf. 1321—Solicitation of Funds from and by Students)

In advance of study trips, teachers shall determine educational objectives which relate directly to the curriculum. Principals shall ensure that teachers develop plans which provide for the best use of students' learning time while on the trip. Teachers also shall provide appropriate instruction before and after the trips.



**SCHOOL-SPONSORED TRIPS** (continued)**Waiver of District Liability**

Students and their families are expected to have adequate health insurance to cover the costs of accidents or injuries that may occur during field trips. Each participating student must submit a waiver of liability signed by the parent(s) or guardian(s) (*E 6153(f) Student Indemnification Statement Waiver of Liability*). Each participating chaperone or parent volunteer must sign a waiver of liability (*E 6153(h) Volunteer Indemnification Statement Waiver of Liability*). These waivers must be reviewed and approved by the principal and secured and on file in the school office prior to the trip.

**Scheduling Travel for Days When School Is Not in Session**

Extended field trips over which the school has scheduling control are to be planned for days school is not in session. Extended trips should be scheduled after regular school hours, on weekends, or during vacations. Unique travel circumstances that extend the trip into school days will be reviewed and approved by the principal on an individual basis prior to submission to the Superintendent for approval.

**Chaperones**

1. During all extended field trips, chaperones of the same sex must accompany students. An exception to this provision must have the approval of the Superintendent.
2. A proposal for the number of chaperones and funding sources for classroom substitutes must be submitted with the field trip request. For extended field trips, a recommended ratio is one chaperone to every eight students.
3. School employees must have approval from their building administrator to chaperone field trips if they will be absent from their assignment.
4. Chaperones will be informed in writing of the drug-free workplace regulations which govern all District-sponsored activities. Chaperones are expected to refrain from using tobacco and consuming alcoholic beverages or illegal drugs while on the extended field trip.
5. Chaperones must stay with the group for the duration of the trip from departure through return. Exceptions may be made by the Superintendent.
6. ~~At the discretion of the Superintendent, non~~Non-employee chaperones ~~may~~will be required to undergo a criminal background check.

**SCHOOL-SPONSORED TRIPS** (continued)

**Trips Not Sponsored by District**

When a trip involves both a school-sponsored element and an adjoining community element, staff members are permitted to coordinate these joint ventures with the use of appropriate school time and equipment.

**Field Trips of One Day or Less**

Field trips lasting one day or less are the responsibility of the principal and staff who will establish and use procedures to plan, conduct and evaluate field trips consistent with adopted curriculum.

**Extended Field Trips (In-State)**

Field trips lasting two or more days and involving overnight accommodations are the responsibility of the principal and staff.

Cocurricular in-state activities trips that comply with established schedules shall conform to the guidelines in the applicable activities handbook, and a list of such trips shall be filed by the coach, athletic director, advisor or sponsor with the principal and the executive secretary of the Kenai Peninsula Schools Activities Association.

Extended field trips planned during the school year for days when school is not in session shall be subject to the conditions listed above.

**Extended Field Trips (Out-of-State or International)**

Field trips involving travel and accommodations for out-of-state sports, activities and educational activities are the responsibility of the local administrator and staff subject to approval by the Superintendent.

The purchasing department must be involved to assist in planning and vendor selection. As a result, requests for out-of-state or international trips involve substantial advance planning. Requests shall be forwarded to the Superintendent on the District field trip form (*E 6153a Preliminary Field Trip Preparation*) for pre-approval prior to formal planning or fundraising. This preliminary approval must be obtained when plans are initiated or within the timeframes listed below, whichever comes first:

- a minimum of 10 months prior to the planned excursion for out-of-state trips,
- a minimum of 18 months prior to the planned excursion for international trips.

**SCHOOL-SPONSORED TRIPS** (continued)

The Superintendent may approve requests for field trips outside of these timelines for unique circumstances that may arise.

Once vendor selection has been determined, ~~E 6153(b) Due Dates for Required Documents will be provided to the trip organizer for compliance~~ District Office will advise the trip organizer of the due dates for required documents for compliance. Documentation for these trips will be forwarded to the Superintendent on the District field trip forms E 6153(c) *KPBSD Field Trip Information Form*, E 6153(d) *Verification of Field Trip Information*, and E 6153(e) *KPBSD Field Trip Questionnaire* with appropriate attachments within the advised timelines.

**Required Information to Be Submitted for Extended Out-of-State or International Field Trip Approval**

The following information requirements must be satisfied when District students are traveling out-of-state or internationally.

**Medical Coverage and Medical Training for Out-of-State or International Field Trips**

In addition to the conditions listed for all extended field trips, the following conditions also apply when travel is out-of-state or international:

1. Evidence of individual student medical insurance coverage must be presented by the student's parent/guardian to the principal prior to travel for all out-of-state or international travel. (A list of medical insurance providers will be made available for those without private family or individual coverage. This coverage will not be paid at District expense.)
2. The need for a chaperone with medical emergency training will be determined by the Superintendent prior to approval.

**Field Trips by Van and Automobile**

Due to safety concerns, students may not be transported in a 15-passenger van for any reason. This includes vans that are privately-owned or rented. Eight-passenger (or less) vans are allowed. Whenever students are being transported in any motorized vehicle *E3541.1(a) School Driver Registration Form* should be completed. Additionally, *E3541.1(b) Private Vehicle Transport Safety Check* needs to be completed for student transport by any privately owned vehicle.

(cf 3541.1 School Related Trips)

**SCHOOL-SPONSORED TRIPS** (continued)**Field Trips by Boat and Plane**

Field trips that employ a boat or plane must adhere to at least the following minimal guidelines. The principal and Superintendent may add additional requirements depending on the nature, location and extent of the proposed field trip and the age, nature and experience of the sponsors, staff, students and operators.

**For Trips by Private Marine Vessels**

1. The Superintendent may authorize the transportation of students by private, noncommercial vessels for approved field trips and activities provided the following conditions are met.
  - A. For motorized vessels, the vessel is operated by an adult, age 21 or older, who can demonstrate competence to operate the vessel. This competence may be demonstrated by the operator:
    - (1) Providing a copy of the appropriate commercial or charter license for the intended waters and vessel type to be used, or
    - (2) Providing documentation that the operator successfully passed a marine/boat/water safety course approved by the Superintendent as appropriate for the field trip to be taken.
  - B. In the case of non-motorized boat trips, when practical, a motorized vessel or boat operated by a qualified adult, age 21 or older, is available to respond in the event of an accident or incident.
  - C. The vessel is registered with the State of Alaska or issued a Certificate of Documentation by the U.S. Coast Guard, and when motorized, must be in compliance with the Courtesy Vessel Safety Check by the U.S. Coast Guard Auxiliary within 90 days of the time of travel.
  - D. Students traveling on an open boat shall wear appropriate flotation devices while onboard the vessel in compliance with U.S. Coast Guard regulations.
  - E. All student passengers provide a permission slip and waiver of liability signed by their parent(s) or guardian(s) (*Form E 6153(f) Student Indemnification Statement Waiver of Liability*).

**SCHOOL-SPONSORED TRIPS** (continued)

- F. The owner, operators and passengers have been informed that the registered owner of the vessel is responsible for any accidents which may occur.
- 2. Trip plans, including name of vessel operator, location and itinerary of trip, type and identification of vessel, must have prior approval from the Superintendent. The Superintendent must be notified of any deviation from the approved itinerary or trip plan.

**For Trips by Commercial Marine Vessels**

- 1. When traveling on a commercial or charter vessel, students must be transported by a U.S. Coast Guard approved vessel. U.S. Coast Guard approval must be for the number of commercial passengers carried on the vessel.
- 2. The captain of the vessel used to transport students must be certified by the U.S. Coast Guard to operate a commercial vessel. The captain must be certified for operating the size and type of vessel required. A copy of the vessel operator's license must be on file in the school.
- 3. All School District students, staff and chaperones must be provided with U.S. Coast Guard approved survival equipment while on the vessel. Students traveling in an open boat shall wear appropriate flotation devices while underway.
- 4. The owners of the commercial vessel used for the transportation of students and District staff must have the vessel insured with minimum liability of \$1,000,000. A copy of the insurance certificate must be on file in the school.
- 5. All commercial boats used while abroad must meet international nautical standards.

**Field Trips by Aircraft**

Field trips that use aircraft must adhere to the following guidelines in addition to those found elsewhere in this manual.

**SCHOOL-SPONSORED TRIPS** (continued)

1. Students must be transported by a Federal Aviation Administration approved aircraft. Approval must be for the number of commercial passengers for which the aircraft is certified. Students may be transported on commercially operated aircraft only.
2. The pilot must have a Commercial Pilot's Certificate issued by the Federal Aviation Administration. Additionally, the pilot must be certified in the type of aircraft being used to transport students, staff and chaperones.
3. All School District students, staff and chaperones must observe and follow all safety procedures dictated by the air carrier.
4. All commercial aircraft used while abroad must meet international aviation standards.
5. The owners of the aircraft used for the transportation of students, staff and chaperones must have the aircraft insured with minimum liability of \$1,000,000.

**District-Hosted Visitors**

Official visits of one week or less by guests from other nations may be approved by the principal. Official visits of more than one week must be approved by the Superintendent.

The following information requirements must be satisfied when District schools are hosting visitors from abroad for an extended stay of more than one week. This information must be submitted to the Superintendent by the site administrator hosting the visitors at least 30 days prior, or when plans are arranged, whichever comes first, to granting approval or finalizing plans for the visit:

1. What are the anticipated dates of visitation from a school located in another country?
2. Who is the District certified employee in charge of this activity?
3. From what country will the visitors be coming?
4. What is the purpose of hosting this international visitation?
5. How many students will be traveling to the District?
6. What is the age group of the students traveling to the District?

**SCHOOL-SPONSORED TRIPS** (continued)

7. What is the intended itinerary for travel?
8. Where will the students be housed during their visitation to the District? A listing of specific parents who have agreed to host the visitors to our District must be provided.
9. Have certificates of insurance regarding health and accident insurance coverage for travelers been secured? (Provide appropriate evidence of insurance.)
10. What are the points of arrival and departure?
11. What arrangements have been made to assure safe passage to the point of disembarkation from the District?
12. Who is providing this information?

**Application for Complimentary Trip Tickets Waiver**  
Student Use Only

School:

Student Name:

Student Address:

Activity/Event:

Event Date:

Supporting Information:

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Student Signature

Date

Parent Signature

Date

Submit to Complimentary Trip Ticket Review Committee\*

Approved by Committee:

Full Waiver,  Half Waiver,  Quarter Waiver

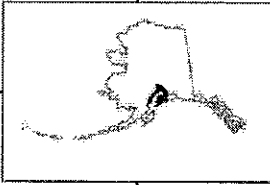
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Building Administrator

Date

\*Committee members include: school administrator, tour organizer and/or other appropriate individual involved with trip planning.





## KENAI PENINSULA BOROUGH SCHOOL DISTRICT

### Assistant Superintendent

Dave Jones

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### Memorandum

To: Members, Board of Education

From: Dave Jones, Assistant Superintendent

Date: January 8, 2010

RE: Fund Balance Policy for the General Fund

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The District needs to establish a formal fund balance policy for the General Fund. I am attaching a copy of the Government Finance Officers Association (GFOA) Best Practice letter entitled Appropriate Level of Unrestricted Fund Balance in the General Fund for your review. This letter provides general background information on fund balance and discusses the factors that boards should consider when establishing a fund balance policy.

I will discuss this item with both the Policy Committee and the Finance Committee at Monday's meetings. We will examine why there is a need for fund balance. We will discuss the different categories within fund balance and the different levels of spending constraint on each category. We will look at the State of Alaska statutes and administrative code regarding school district fund balance. We will also discuss the potential financial ramifications to the school district with different levels of fund balance retention.

I look forward to working with the Board on this matter.



## BEST PRACTICE

### **Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (BUDGET and CAAFR)**

**Background.** Accountants employ the term *fund balance* to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis.<sup>1</sup> In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

Accountants distinguish up to five separate categories of fund balance, based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: *nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.*<sup>2</sup> The total of the last three categories, which include only resources without a constraint on spending or for which the constraint on spending is imposed by the government itself, is termed *unrestricted fund balance*.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.

In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance (i.e., the total of the amounts reported as committed, assigned, and unassigned fund balance) in the general fund.

Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unrestricted fund balance for state and local governments.

Those interested primarily in a government's creditworthiness or economic condition (e.g., rating agencies) are likely to favor increased levels of fund balance. Opposing pressures often come from unions, taxpayers and citizens' groups, which may view high levels of fund balance as "excessive."

**Recommendation.** The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund.<sup>3</sup> Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and

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<sup>1</sup> For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.

<sup>2</sup> These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which must be implemented for financial statements for periods ended June 30, 2011 and later.

<sup>3</sup> Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.

specific plans for increasing or decreasing the level of unrestricted fund balance, if it is inconsistent with that policy.<sup>4</sup>

The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.<sup>5</sup> The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.<sup>6</sup> Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.

In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon general fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the general fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the general fund);<sup>7</sup>
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained); and
- Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose).

Furthermore, governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance rather than on unrestricted fund balance.

Naturally, any policy addressing desirable levels of unrestricted fund balance in the general fund should be in conformity with all applicable legal and regulatory constraints. In this case in particular, it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated by all interested parties.

Approved by the GFOA's Executive Board, October, 2009.

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<sup>4</sup> See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments' on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).

<sup>5</sup> In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.

<sup>6</sup> In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues or expenditures, that decision should be followed consistently from period to period.

<sup>7</sup> However, except as discussed in footnote 4, not to a level below the recommended minimum.