

BOARD AGENDA ITEM

October 25, 2011

SUBJECT:

Amendments to Policy DA – *Fiscal Management Goals / Priority Objectives*
Second Reading

BACKGROUND:

Policy DA is the District's introductory policy and its statement of philosophy on the importance of District fiscal management and fiscal priority objectives. As the Board has recently been considering the projected results of its upcoming audit for the fiscal year ended June 30, 2011, and is also beginning preparation for the budget process for 2012-2013 school year, the Comptroller has recommended that the Board include a policy statement concerning fund balance and the objectives for the same. This recommendation is also based upon frequent inquiries by bond rating agencies.

ADMINISTRATIVE CONSIDERATION:

This school district has endeavored over the years to maintain a reasonable fund balance in order to provide for financial contingencies and also to facilitate operating on as near a cash basis as possible. Generally the recommendation of auditors for fund balance to maintain our bond rating capacity has served as the District's planning target. During planning for the 2009-2010 school year in the midst of a virtual crisis in the shortfall of state funding, the value of the District's fund balance proved noteworthy, even though a draw-down on the amount thereof in order to balance the budget for that particular budget year was necessary. Since that time, the administration, through the recommendations and careful planning of the comptroller's office, has made efforts to rebuild a fund balance and also to provide for the upcoming discontinuance of remaining ARRA funding from the federal government.

Since state law actually provides for accumulation of a fund balance sufficient to operate on a cash basis, and since a guideline "range" for targeting fund balance is considered to be a worthy objective for financial planning, the administration has recommended that the amendments to Policy DA, as attached to this agenda item, be carefully considered and adopted as the policy statement of this Board. Based upon an examination of fund balances in other school districts and the policy statements in some school districts, the recommended range of **no less than eight percent (under ordinary circumstances)** and **at least sixteen percent**, with the target being a minimum of sixteen percent, is considered to be reasonable and one which will generally provide appropriate financial flexibility, although still likely short of enabling the District to operate entirely on a cash basis (without the necessity of some mid-year short term tax anticipation note financing). *(Note: the emboldened wording represents a refinement in the explanation of the range parameters goal for this philosophical statement since the first reading. Accordingly, the attached policy still retains underlining for all the changes as first presented, along with these refinements being shaded in gray, and strike-throughs being shown for a deletion.)*

RECOMMENDATION:

Approve all the proposed amendments to Policy DA as presented for second reading, after which an additional reading will be presented on the Consent Agenda at the next meeting.

ATTACHMENT:

- 1) Policy DA as amended, including refinements since first reading

PREPARED BY:

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Policy DA Fiscal Management Goals/Priority Objectives

Issued 10/01

Purpose: To establish the board's vision for the sound fiscal management of the district.

The quantity and quality of learning programs are directly dependent on the funding provided and the effective, efficient management of those funds. Therefore, achievement of the district's purposes can best be made through excellent fiscal management.

As trustee of local, state and federal funds allocated for use in public education, the board will be vigilant in fulfilling its responsibility to see that these funds are used wisely.

Because of resource limitations, it is essential that the board and district administration take specific action to optimize the allocation of available resources in order to provide the most effective educational program. A strong educational program is corollary to prudent fiscal management. The board will incorporate this concept into all aspects of board and district operations.

To achieve this vision for the management of fiscal resources, the board will do the following: :

- Engage in thorough advance planning in order to develop budgets and to guide expenditures in ways that achieve the greatest educational returns as well as the greatest contributions to the educational program.
- Establish levels of funding, within available resources, that will provide high quality education for the students of the district.
- Monitor inflows and outflows of resources throughout the year to ascertain whether actual results are in line with expected results. Significant fluctuations should be appropriately addressed, as necessary.
- Use the best available techniques and processes for budget development and management.
- Provide timely and appropriate information to the board and all staff with fiscal management responsibilities.
- Maintain an unrestricted general fund balance range of between no less than eight (8%) percent (except in extraordinary circumstances) and at least sixteen (16%) percent of the annual operating budget in order to manage finances on a cash basis (as provided by law), or as near a cash basis as circumstances permit, and also to provide reasonable resources to cover non-budgeted contingencies and/or state (and other) funding shortfalls during the school year in accordance with sound financial standards and procedures.
- Establish and implement efficient procedures for accounting, reporting, investing, purchasing and delivery, payroll, payment of vendors and contractors and all other areas of fiscal management.

Adopted 6/10/75; Revised 10/9/01, 10/25/11.

Statutes:

Section 59-69-110, South Carolina Code of Laws, 1976, as amended.

Other:

Governmental Accounting Standards Board, generally accepted accounting principles, as well as the Financial Accounting Standards Board.

The School District of Aiken County