

**BOARD AGENDA ITEM**  
**January 26, 2016**

**SUBJECT:**

Recommended amendments to Policy DA - *Fiscal Management Goals/Priority Objectives* – **First Reading**

**BACKGROUND:**

In discussing bond issuances, presentations regarding bond rating agencies, and similar subjects with bond counsel and financial advisors, it was noted that bond rating agencies liked to see formal investment policies and formal debt management policies. The Board has an existing Policy DA dealing with financial management goals and priority objectives which would better serve the District's needs by having some updating in the language and amendatory provisions to make the policy consistent with presently recognized best practices.

**ADMINISTRATIVE CONSIDERATION:**

In current use among financial and investment circles, the term *unrestricted* as it relates to fund balance terminology is outdated, and the term *unassigned* has come into accepted understanding and usage for otherwise unencumbered fund balances. Additionally, bond rating agencies have asked in annual reviews what happens if the District fund balance level drops near or below the eight (8%) mark. Verbal explanations have previously been accepted, but it is believed that making these changes and amendments in writing to our policy will be well received by these agencies. Most of these changes are found in the last bullet point on the first page of the attached amendments to the policy.

**RECOMMENDATION:**

Approve on first reading the recommended amendments to current Policy DA – *Fiscal Management Goals/Priority Objectives*

**ATTACHMENT:**

Recommended changes to Policy DA for first reading

**PREPARED BY:**

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## FISCAL MANAGEMENT GOALS/ PRIORITY OBJECTIVES

Code **DA** Issued **10/11-1/16**

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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 unassigned general fund balance range of no less than 8 percent of the budgeted expenditures for the year ending June 30 (except in extraordinary circumstances) and with a desired level of at least 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. A sufficient and healthy fund balance will help maintain a high bond rating to reduce the cost of long-term borrowing. Should fund balance levels decrease to or near 8 percent levels, which would be the equivalent of one month's operational reserves, the Board and administration will take steps to address the receiving fund balances. Such steps would include reducing expenditures, increasing revenue, or some combination of each.

C-2  
Attachment  
(see next page)

## **PAGE 2 - DA - FISCAL MANAGEMENT GOALS/ PRIORITY OBJECTIVES**

- 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

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### Legal references:

#### A. S.C. Code, 1976, as amended:

1. Section 59-69-110 - Authorization for creation of reserve fund to place schools on cash basis.

#### B. Other:

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