

## **Financial Focus**

- **Fund Accounting, various definitions, and Nordonia Hills CSD's current fund structure.**

## Introduction to Fund Accounting

### **What is Fund Accounting?**

- Fund accounting is essential for school districts to maintain separate accounts for specific revenue streams and expenditures. This ensures transparency and compliance with legal and donor restrictions.
- School districts are required to allocate funds based on the purpose defined by the source of the revenue, e.g., local taxes, state funding, federal grants, bond issues, internal sources.
- Broken down into categories:
  - a. Governmental Funds
  - b. Proprietary Funds
  - c. Fiduciary Funds

## Why Use Fund Accounting?

### **Importance for School Districts:**

- **Accountability:** Ensures that restricted funds (e.g., federal grants, bond proceeds) are spent for their designated purposes.
- **Transparency:** Provides the public with a clear picture of how resources are allocated and used.
- **Legal Compliance:** Adheres to Ohio Revised Code regulations and state auditor requirements.

## Governmental Funds (GRF)

- **Governmental funds are used to track resources primarily from taxes and grants that are restricted to specific public purposes. These funds are key in supporting the district's core educational operations and are categorized by purpose:**

### **General Fund:**

- **Primary Purpose:** The General Fund supports the district's day-to-day operations, making it the largest and most flexible fund.
- **Uses:** Covers routine expenses such as salaries, benefits, utilities, classroom materials, and transportation.
- **Funding Source:** Primarily funded by local property taxes and state aid.
- **Importance:** Since it finances the core instructional and operational costs, maintaining a healthy balance in the General Fund is essential for the district's stability.

## Governmental Funds (special revenue)

- **Primary Purpose:** These funds are designated for specific purposes, often linked to state and federal grants or other restricted funding sources.
  - **Fund 018 - Public School Support (i.e. Principals Fund)**
    - i. Money raised through building fundraisers spent “on the whole” of the building or specific purposes. Student rewards, staff appreciation, student outcome incentives. At the discretion of the building principal.
    - ii. Majority of these funds within each district building
  - **019 - Local Grants**
    - i. Not from the State or Federal Government, but mostly from outside entities. Vital for various teacher initiatives, and also for local scholarships.
    - ii. Currently 22 019 funds in nature



## Governmental Funds (special revenue)

- **Primary Purpose:** These funds are designated for specific purposes, often linked to state and federal grants or other restricted funding sources.
  - **State Fund (400s) - Awarded by the State typically for safety purposes, technology related items, or for a specific purpose related.**
    - i. The District has five state grants (TechCred, Attorney General, Parent Mentor)
  - **Federal Funds (500s)**
    - i. **Established Federal Program Grant initiatives, which is ran and distributed by the State of Ohio**
      1. **572 - Title I Funds:** Used to support educational programs for economically disadvantaged students.
      2. **516 - IDEA-B Funds:** Support special education services to meet the needs of students with disabilities.
      3. **590 - Title II-A:** supports professional development for teachers and school leaders, aiming to improve the quality of instruction and boost student achievement.
      4. **599 - Ohio K-12 Safety Grant -** Provides funding to enhance school safety measures, including security infrastructure and emergency preparedness.

## Governmental Funds (special revenue)

### **200 Funds: Student Activity Funds**

- **Purpose:** These funds are used for school-sponsored student activities, including clubs, organizations, and other extracurricular activities that are not specifically athletic-related.
- **Funding Sources:** Typically funded by **student fundraising**, dues, and sometimes participation fees, with the funds coming directly from student activities. No funding through taxes.
- **Management:** Each activity or club often has a designated account under the 200 funds umbrella, and expenditures must align with the purpose of each specific activity.
- Nordonía Hills has 34 active 200 accounts ranging from student council funds, class funds, yearbook, and large class trip funds.

## Governmental Funds (special revenue)

### 300 Funds: Athletic and Related Activities

- **Purpose:** These funds support **school-sponsored athletic activities and certain co-curricular activities** that are athletic in nature or directly related to the athletic department.
- **Funding Sources:** Primarily funded by **ticket sales, athletic event receipts, individual sport fundraisers, and sometimes booster contributions**. No funding through taxes.
- **Management:** Managed by the athletic department or individuals overseeing sports and related activities, with a focus on expenditures for equipment, travel, uniforms, and coaching needs that benefit athletic programs.
- **Important to note:** Some of these funds are the most likely to be negative approaching Fiscal Year End and can also receive support from district funds if allocated/transferred.
  - a. **ORC 5705.10(I)** further clarifies that no fund shall have a negative balance
- Nordonias Hills has 43 active 300 accounts, some with a lot of activity and some with very little.



## Governmental Funds (Capital Project Funds)

### **Permanent Improvement Fund (Fund 003)**

- **Purpose:** The Permanent Improvement Fund is dedicated to long-term investments in the district, covering projects that last five years or more.
- **Examples of Use:** Supports essential projects like building renovations, new buses, and technology upgrades.
- **Funding Source:** For Norodnia, funded by a transfer from the General Fund to the 003 Fund from a settlement agreement.
- **Importance:** Allows the district to keep facilities and resources updated without using general operating funds, supporting a safe, warm, and dry infrastructure environment.

### **Building Fund (Fund 004)**

- **Purpose:** The Building Fund is specifically for significant construction projects and new facility developments.
- **Examples of Use:** Used for large-scale projects such as constructing new school buildings or major expansions.
- **Funding Source:** Specific agreements.
- **Importance:** Enables the district to address specific arrangements. In Nordonía's case possible upgrades in athletic facilities or naming rights or sponsorships.

## Governmental Funds (debt service)

### **Debt Service Fund (Fund 002):**

**Purpose:** This fund is reserved for repaying the district's long-term debt, like bonds used for major school improvements and facility upgrades.

**Funding Sources:** Primarily funded by voter-approved property tax levies, which provide dedicated revenue for debt repayment.

### **Types of Debt:**

- **School Improvement Bonds:** For large-scale construction and renovation projects.
- **Athletic Facilities Bonds:** For enhancements to sports facilities.

**Importance:** By keeping debt repayment separate, this fund ensures the district meets financial obligations without impacting educational programs, helping to maintain strong financial health.

## Proprietary Funds ( two)

**Proprietary funds operate like business activities, aiming to be self-sustaining by generating revenue through fees and charges. Key examples in a school district include Food Service and Library Services.**

### **Food Service Fund 006**

- **Purpose:** Manages cafeteria operations to keep meal programs financially sustainable.
- **Funding Sources:** Student meal sales, federal and state reimbursements, and a la carte sales.
- **Expenses:** Food costs, staff salaries, and operational costs.
- **Importance:** Ensures affordable, nutritious meals for students without relying on general funds.

### **Book Services Fund 020**

- **Purpose:** Supports library operations, enhancing student resources and literacy programs.
- **Funding Sources:** User fees, grants, and donations.
- **Expenses:** Library materials, technology, staff, and program support.
- **Importance:** Provides essential educational resources while promoting literacy, funded independently from general district funds

## Fiduciary Funds (six)

**Fiduciary funds are used to manage resources held in trust or on behalf of others, and they cannot be used for the district's own operations.**

The Unclaimed Check Fund (Fund 022) is used to manage uncashed checks issued by the district, like payroll or vendor payments, that haven't been claimed.

1. **Purpose:** Fund 022 holds unclaimed checks, ensuring the district's accounts are accurate and that funds don't remain indefinitely in operational accounts.
2. **Process:** After a set period, unclaimed checks are transferred to Fund 022. If recipients come forward, the district verifies and reissues payments from this fund.
3. **Final Steps:** Unclaimed funds are either sent to the state or, after a specific time, may be returned to the original fund.
4. **Benefit:** This fund ensures compliance, transparency, and accurate reporting of district finances.