NORTH FORK LOCAL SCHOOLS

DOLLAR & SENSE

Volume 2 | Understanding School Finance

Making school finances easier to understand, one dollar at a time.

A SCHOOL FINANCIAL FORECAST DOESN'T HAVE TO BE HARD TO UNDERSTAND

Why a Financial Forecast matters?

In Volume 1, we discussed multiple funds that support our school. This issue takes a closer look at the **Financial Forecast**, which focuses on the district's General Fund (Fund 001) – the fund that supports day-to-day school operations.

A financial forecast is a snapshot of the district's financial outlook at the time it is prepared. It uses historical trends and assumptions about future revenues and expenditures. Various events will ultimately impact the forecast, such as budgets, new state mandates, tax levies, property reappraisal, salary increases, health insurance increases, and enrollment variances.

The forecast serves three (3) essential purposes or objectives:

- **Support long-term planning:** Helps the board of education and community in long-range planning.
- **Ensures financial responsibility:** Helps determine whether the district can certify that funds are available for certain financial obligations as required under Ohio Revised Code 5705.412, commonly known as "412 Certificates".
- **Promotes financial oversight:** Helps the Ohio Department of Education and Workforce and Auditor of State to identify school districts with potential financial challenges.

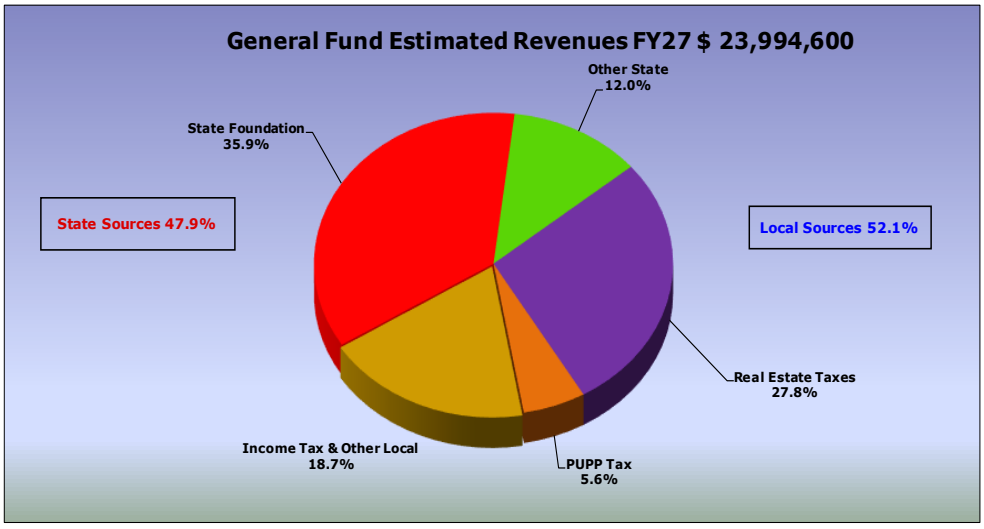
UNDERSTANDING THE SECTIONS OF THE FORECAST

The Financial Forecast is broken into two (2) sections; Revenue and Expenditures.

General Fund revenue includes money received from state and local resources including:

- General property tax
- Income tax
- Unrestricted State Aid
- State Reimbursements for Property Tax Credits
- All Other Revenue

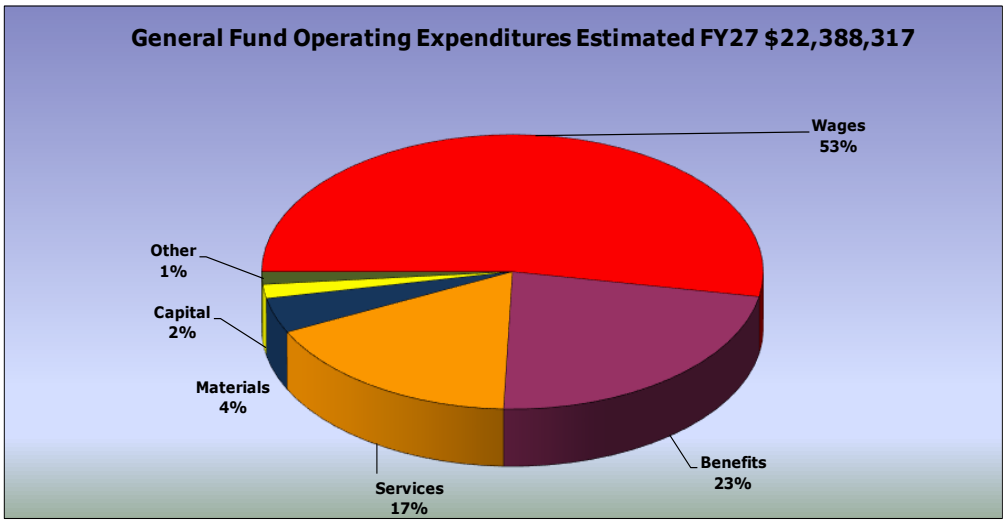
These revenues help fund the daily operations and educational services provided by North Fork Schools.



Where does the Money Go? Expenditures

General Fund expenditures reflect the costs of operation our schools and supporting our students and staff. These include:

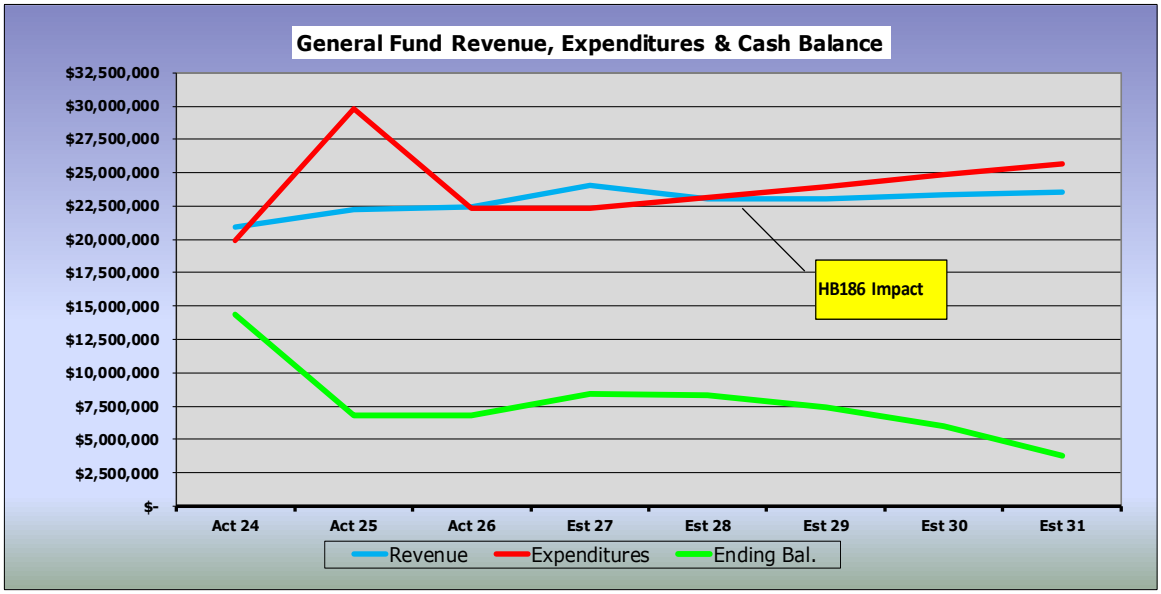
- **Personal Services:** Salaries and wages
- **Employees Retirement/Insurance Benefits:** Employee retirement contributions and insurance cost
- **Purchase Services:** Utilities, contracted services, outside repairs and tuition paid to other districts
- **Supplies and Materials:** Classroom supplies. Instructional materials, and other operating necessities
- **Capital Outlay:** Qualifying purchases of equipment and other capital assets
- **Other Objects:** Memberships. Auditor fees, County fees and other expenses



WHAT ELSE CAN THE FORECAST TELL US

The forecast provides valuable insight into the financial health of our General Fund. Two important measures are revenue compared with expenditures and the districts cash balance.

Understanding Revenue, Expenditures, and Cash Balance



The graph above illustrates the district's revenue, expenditures and cash balance.

- Fiscal years (FY) 2024 - 2026 reflect actual financial results
- Fiscal years (FY) 2027 – 2031reflect projected estimates

*Our fiscal year runs **July 1 through June 30**.*

You may notice a significant increase in expenditures during FY25. This reflects several major financial transactions including:

- $1,280,000 to pay off the district's Qualified School Construction Bond which financed energy conservation improvements.
- A $1,000,000 transfer to the Termination Benefit Fund (035) fund
- A $6,500,000 to the Capital Improvement Fund (070)

These one-time payments and transfers help explain why expenditures were higher during that year.

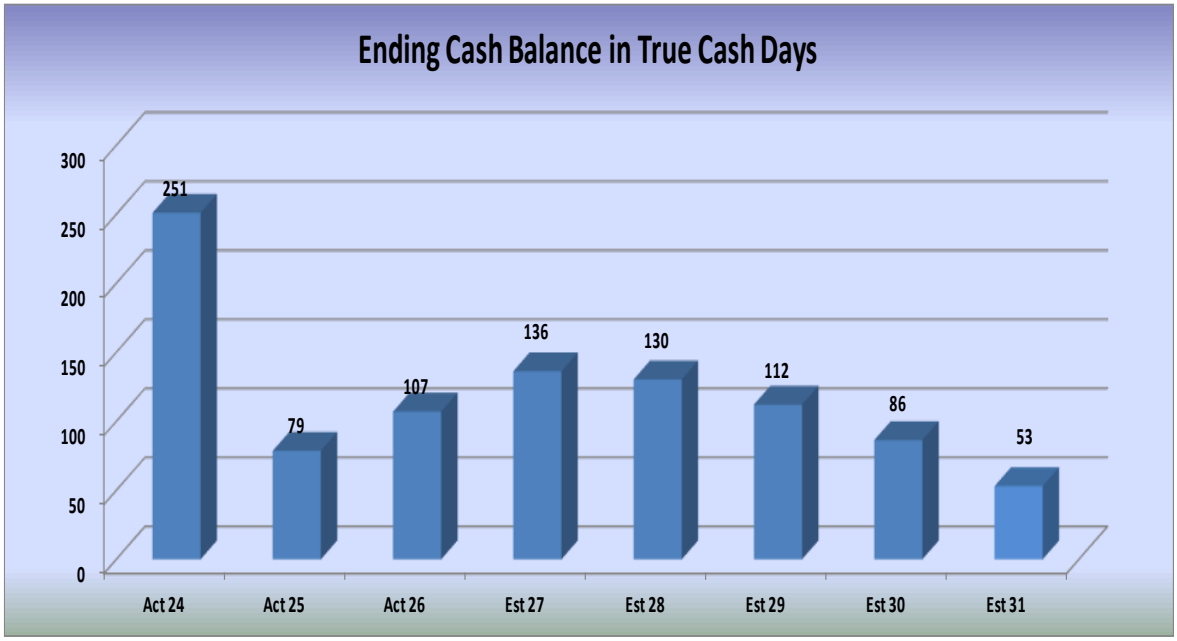
Why compare Revenue and Expenditures?

Comparing revenue and expenditures help us to understand whether the district is bringing in enough money to cover its cost.

Ideally, revenue and expenditures should remain in balance over time. When expenditures exceed revenue, the district experiences deficit spending.

Monitoring this relationship helps district leaders identify potential challenges and make informed decisions to maintain financial stability.

What Are "True Cash Days"?



The ending cash balance, expressed in *true cash days*, provides another helpful way to understand the district's financial position.

It estimates how many days the district could continue to operating using its year-end cash balance if no additional revenue were received.

The calculation is below:

Ending cash balance divided by (Annual Expenditures divided by 365) = True Cash Days

This measure helps illustrate the district's ability to meet operation expenses.

The Government Financial Officers Association (GFOA) recommends that no less than two (2) months or 60 days of cash is on hand at year end.

Want to Learn More?

For additional information, visit northfork.k12.oh.us and look for the Treasurer's section. There you can find *"How to Read a Five-Year Forecast"* for more a detail explanation.

WHY IT MATTERS

Every dollar has a purpose!

Understanding how district funds work helps explain why some revenue can be used for everyday school operations while other revenue must be reserved for specific programs, student activities, or building improvements.

By organizing and tracking revenue carefully, North Fork Local Schools can maintain financial accountability, follow applicable requirements, and make informed decisions in support of our students.

That's Dollar & Sense!

North Fork Local Schools | Financial Transparency Through Understanding

Visit **Northfork.k12.oh.us** to learn more about our district.