

## DESCRIPTION OF FUNDS

California State law requires school districts to organize their financial reporting by “fund”. The California School Accounting Manual (CSAM), which governs school district budgeting and accounting processes in California, defines “fund” as an accounting entity with a self-balancing set of accounts recording financial resources and liabilities. It is established to carry on specific activities or to attain certain objectives of a Local Educational Agency (LEA) in accordance with special regulations, restrictions, or limitations.” (Section 101, December 1998).

LEAs such as the Los Angeles Unified School District are required to budget by fund. The Superintendent’s Final Budget is comprised of a General Fund and 25 special funds. The uses of these funds are summarized below.<sup>1</sup>

### OPERATING FUNDS

*Fund 010: **General Fund*** is used to account for the basic instructional, support, and administrative operations of the District. The General Fund includes services to regular K-12 schools, the special education program, and other programs. The General Fund supports and accounts for both restricted and unrestricted funding sources and expenditures. The restricted sources are summarized in the Restricted General Fund section of this document.

*Fund 110: **Adult Education Fund*** is used to account separately for federal, state, and local revenues for adult education programs, as well as for expenditures that support this program. Expenditures in the Adult Education Fund are limited to those for adult education purposes. Moneys received for programs other than adult education may not be expended for adult education purposes (Education Code §52616[b]).

*Fund 120: **Child Development Fund*** is used to account for federal, state, and local revenues to operate child development programs. In the Los Angeles Unified School District, the Child Development Fund supports the activities of the Early Childhood Education Centers that operate throughout the District. This fund may be used only for expenditures for the operation of child development programs and may be subsidized by the General Fund as well.

*Fund 130: **Cafeteria Fund*** is used to account for federal, state, and local resources to operate the District’s food service program (Education Code §38091 and §38100).

*Fund 140: **Deferred Maintenance Fund*** is used to account for the remaining balance of state apportionments and the District’s contributions from fiscal years prior to 2009-10 for deferred maintenance purposes (Education Code §§ 17582 through 17587). Expenditures in the Deferred Maintenance Fund are for major maintenance projects such as plumbing, heating, air conditioning, electrical, roofing, floors, and interior or exterior paint.

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<sup>1</sup> Definitions reflect the California School Accounting Manual descriptions where available, augmented by information from the District budget and the District’s 2016-17 Audited Annual Financial Report to reflect specific District use of various funds.

## CAPITAL PROJECTS FUNDS

*Building Funds* exist primarily to account for proceeds from the sale of bonds (Education Code §15146). Expenditures are most commonly made against Object 6000 – Capital Outlay accounts. As the result of the passage of multiple bond elections, the District operates six separate Building Funds.

*Fund 210: **Building Fund – Measure R*** accounts for the proceeds resulting from the passage of Measure R, a local school bond measure approved by the voters in March 2004, for new school construction and repairs to existing schools.

*Fund 211: **Building Fund – Proposition BB*** accounts for the proceeds resulting from the passage of Proposition BB, a local school bond measure approved by the voters in April 1997 for construction of new schools and repair and modernization of existing schools.

*Fund 212: **Building Fund*** accounts for proceeds from the sale of bonds prior to 1997, as well as state allowances and other resources designed for facilities expansion.

*Fund 213: **Building Fund – Measure K*** accounts for the proceeds resulting from the passage of Measure K, a local school bond measure approved by the voters in November 2002, for new school construction and repair and modernization of existing schools.

*Fund 214: **Building Fund – Measure Y*** accounts for the proceeds resulting from the passage of Measure Y, a local school bond measure approved by the voters in November 2005, for school construction and modernization, with the goal of returning all schools to a traditional calendar.

*Fund 215: **Building Fund – Measure Q*** accounts for the proceeds resulting from the passage of Measure Q which was a local school bond measure approved by the voters in November 2008 to fund critical repair and safety needs, create science labs and other specialized classrooms necessary to teach courses that would help students get into college or start careers after they graduate, and help create classrooms that are up to date in technology and high speed internet.

*Fund 250: **Capital Facilities Account Fund*** accounts for resources received from developer fees levied upon new residential, commercial, or industrial development projects within the District's boundaries. The dollars are used to obtain funds for the construction or acquisition of school facilities to relieve overcrowding.

*Fund 300: **State School Building Lease-Purchase Fund*** accounts for state apportionments received in accordance with California Education Code §17700-17780, primarily for relief of overcrowding.

*Fund 351: **County School Facilities Fund*** account for revenues and expenditures resulting from building projects funded primarily or in part from state bond elections or from matching funds. The District used to operate four separate County School Facilities Funds. In 2013-14, these four funds shown below were consolidated into one single County School Facilities Fund.

*County School Facilities Fund - 1A* accounts for school construction and modernization funds received from proceeds resulting from the passage of Proposition 1A in 1998, as well as for local matching funds.

*County School Facilities Fund – Proposition 47* accounts for apportionments received from the State School Facilities Fund. The passage of Proposition 47 in November 2002 authorized the sale of bonds for new school facility construction, modernization projects, and facility hardship grants.

*County School Facilities Fund – Proposition 55* accounts for the matching funds received as a result of the passage of Measure R. Proposition 55 was passed by the voters in March 2004.

*County School Facilities Fund – Proposition 1D* provides funding from the Kindergarten-University Public Education Facilities Bond Act of 2006. Proposition 1D was approved by the voters in the November 2006 general election. Funds provide additional dollars for existing school facilities programs. Funds also provide new dollars for seismic mitigation of the most vulnerable school facilities, creation of career technical education facilities, reduction of severely overcrowded sites, and incentives for the construction of high-performance “green” schools.

*Special Reserve Funds for Capital Outlay Projects* provide for the accumulation of General Fund moneys for capital outlay purposes (Education Code §42840). Transfers authorized by the governing board must be utilized for capital outlay purposes. The District operates four Special Reserve Funds:

*Fund 400: **Special Reserve Fund – Community Redevelopment Agency*** accounts for reimbursements of tax increment revenues from certain community redevelopment agencies based on agreements between the District and the agencies. The reimbursements are to be used for capital projects within the respective redevelopment areas covered in the agreements.

*Fund 401: **Special Reserve Fund*** accounts for District resources designated for capital outlay purposes such as land purchases, ground improvements, facilities construction and improvements, new acquisitions, and related expenditures.

*Fund 402: **Special Reserve Fund – FEMA – Earthquake*** accounts for funds received from the Federal Emergency Management Agency (FEMA) for capital outlay projects resulting from the January 17, 1994 Northridge earthquake.

*Fund 403: **Special Reserve Fund – FEMA – Hazard Mitigation*** accounts for funds received from FEMA and for the 25% District matching funds for the retrofit/replacement of pendant lighting and suspended ceilings in selected buildings at schools, offices, and Early Childhood Education Centers.

## DEBT SERVICE FUNDS

*Fund 510: **Bond Interest and Redemption Fund*** accounts for the payment of the principal and interest on Proposition BB and Measures K, Q, R, and Y bond issues. Revenues are derived from ad valorem taxes levied upon all properties subject to tax by the District.

*Fund 530: **Tax Override Fund*** accounts for the accumulation of resources from ad valorem tax levies for the repayment of State School Building Aid Fund apportionments.

*Fund 560: **Capital Services Fund*** accounts for the accumulation of resources for the repayment of principal and interest on certificates of participation (COPs) and long-term capital lease agreements. Revenues are derived primarily from operating transfers from user funds and investment income.

## INTERNAL SERVICE FUNDS

*Fund 670: **Health and Welfare Benefits Fund*** pays for claims, administrative costs, insurance premiums, and related expenditures for the District's Health and Welfare Benefits program. Medical and dental claims for the self-insured portion of the Fund are administered by outside claims administrators. Premium payments to Health Maintenance Organizations for medical benefits and to outside carriers for vision services, dental services, and optional life insurance are also paid out of this Fund.

*Fund 671: **Workers' Compensation Self-Insurance Fund*** pays for claims, excess insurance coverage, administrative costs, and related expenditures. An outside claims administrator manages Workers' Compensation claims for the District.

*Fund 672: **Liability Self-Insurance Fund*** pays for claims, excess insurance coverage, administrative costs, and related expenditures, and to provide funds for insurance deductible amounts. An outside claims administrator manages liability claims for the District.

## FIDUCIARY FUNDS

*Fund 710: **Attendance Incentive Reserve Fund*** accounts for 50% of the salary savings from substitute teacher accounts resulting from reduced costs of absenteeism of UTLA-represented employees. This fund rewards regular attendance of teachers in order to improve the instructional program. Reporting of this fund to CDE is not required. However, it must be included in the audited financial statements to meet GAAP reporting requirements.

*Fund 713: **Other Post-employment Benefits (OPEB) Fund*** accounts for resources to be distributed to a trust account for employees' Other Post-employment Benefits.

**Student Body Funds** at the school sites account for cash held by the District on behalf of the student bodies. The CSAM does not require that Student Body Fund moneys be reported to CDE as part of the District's budget. However, it must be included in the audited financial statements to meet GAAP reporting requirements.

## SOURCES AND USES OF FUNDS

### SOURCES OF FUNDS

#### Beginning Balance

This section of the financial statements basically reflects the ending balance of the prior year. In addition, it may include adjustments due to audit or restatements of amounts.

#### Revenue

This section entails the various types of revenues received. They are classified based on the source of funds such as the Local Control Funding Formula, federal, state, and local revenues. For example, entitlements or grants coming from the federal government such as the Federal IDEA and Title I are included under federal revenues; while entitlements or grants coming from the state such as the Special Education funding AB 602 is included in the state revenues. It may also include inter-fund transfers-in from other funds.

### USES OF FUNDS

#### Expenditure

This section reflects the amounts of funds spent or to be spent based on the type of expenditure which are called the objects of expenditures. These may be certificated and classified employees' salaries, employee benefits, books and supplies, contracts, and capital outlay. It may also include inter-fund transfers-out to other funds.

- *Certificated Salaries* include salaries for positions that require a credential or permit issued by the Commission on Teacher Credentialing such as salaries of school administrators, teachers, librarians, counselors, nurses, and certificated central office administrators.
- *Classified Salaries* include salaries for positions that do not require a credential or permit issued by the Commission on Teacher Credentialing such as salaries of instructional aides, school administrative assistants, bus drivers, carpenters, custodians, plumbers, and those non-certificated employees who supervise their work.
- *Employee Benefits* include employers' contributions to retirement plans and health and welfare benefits for employees, their dependents, retired employees, and board members; and other post-employment benefits.

- *Books and Supplies* include the cost of textbooks, instructional materials, general supplies, and fuel.
- *Services and Other Operating Expenses* include the cost of contracts, travel and conferences, dues and memberships, utilities, rentals, leases, repairs, and professional or consulting services.
- *Capital Outlay* includes the cost of facilities (land and buildings), books and media for new libraries or major expansion of school libraries, equipment, and equipment replacement. Most of LAUSD's capital outlay costs are in bond funds devoted specifically to school construction and modernization.
- *Other Outgo* includes pass through of apportionments to county-educated LAUSD-resident students, transfers of taxes to direct-funded (fiscally-independent) charter schools, bond redemptions, and bond interest and other service charges.

**Ending Balance**

This section entails the ending fund balance for the fiscal year which are classified into various categories. GASB 54 implemented a five-tier fund balance classification that sets the parameters and spending constraints as to use of funds.

- *Non-spendable Fund Balance* consists of funds that cannot be spent due to their form. These include inventory and prepaid items or funds that are legally or contractually-required to remain intact, such as the principal of a permanent endowment.
- *Restricted Fund Balance* consists of funds that are subject to externally-imposed and legal constraints.
- *Committed Fund Balance* consists of funds that are subject to internal policies and constraints. These policies are self-imposed by the District's highest level of decision-making authority.
- *Assigned Fund Balance* consists of funds that are intended to be used for a specific purpose by the district's highest level or an official with the authority to assign funds.
- *Unassigned Fund Balance* consists of residual fund balance that has not been classified in the previous four categories. It represents resources available for future spending.