

Fullerton Joint Union High School District

Definitions of Districts' Funds

Fund 01 - General Fund

This is the chief operating fund for all LEAs. It is used to account for the ordinary operations of an LEA. All transactions except those accounted for in another fund are accounted for in this fund.

Restricted projects or activities within the general fund must be identified and reported separately from unrestricted projects or activities. This is done by using codes in the resource field that identify whether the resources used are restricted or unrestricted.

For the most part, revenue for the General Fund is dependent upon State revenue and State laws. The dependence on State funding for public schools has allowed few alternative sources for revenue to exist for use by public education. The Fullerton Joint Union High School District receives revenue into the General Fund from five major sources. The largest portion is from the State revenue limit sources as a result of sales tax, income tax, and local property taxes.

An additional source of revenue to school districts is the California State Lottery as passed by the voters of California in November, 1984. The original initiative specified that the monies received could be used for any general education purpose, except for the purpose of real property acquisition, new construction, for the financing of new schools or, for conducting pure research. The Lottery began operation in October, 1985. The District has historically spent Lottery money monies one year in arrears. According to the District-wide plan as approved by the Board of Trustees, Lottery monies collected in any given year are not expended until the following year. In March, 2000, the voters of the State of California passed Proposition 20, known as the "*Cardenas Textbook Act of 2000.*" This legislation provides that 50 percent of any growth in Lottery funds for education over the 1997-98 base fiscal year be allocated to school districts to be used exclusively for instructional materials.

The major share of revenue which is received by the District in order to meet the general operating expenses is called the revenue limit. However, with the 2013/14 budget, the Governor has proposed a radical restructuring of the K-12 school finance system. This new funding model is known as the Local Control Funding Formula (LCFF). This new funding formula promises to provide the first increase in per student funding to schools since 2006/07. However, additional revenue attributable to the LCFF will not be budgeted until it is quantified and determined likely to be funded. The total amount of the revenue limit comes from a combination of State

apportionment, local property taxes, and redevelopment income. The revenue limit amount is established by the State each year according to a State-wide average for the size and type of district. If local taxes were to increase for a given year, the State portion would then decrease proportionately. The method for computing the revenue limit has evolved into a rather complex formula. The income for the revenue limit calculation is dependent on the daily average of students in attendance. Even though ADA is obviously lower than a district's enrollment, the two terms are often (though incorrectly) used interchangeably. Revenue limits vary from district to district because the original base year of 1972 varied in the amount which districts were spending for general purposes when the legislation for revenue limits was passed. Since 1972, there has been an annual inflationary factor added to the base-year amount. Starting in 1990, the State decreased revenues and school districts for the first time did not receive the full statutory inflation factor. While the calculations of the district's revenue limit add a Cost-of-Living Adjustment (COLA), the State also applies what is called the State school deficit, offsetting the increase in the COLA.

In summary, the revenue for the District can be simplified as originating mainly from the State in the form of a revenue limit per ADA plus State special purpose and categorical monies. Generally, to a lesser degree, Federal categorical and local miscellaneous monies are viewed as supplementary revenue. Any other monies received such as the District's portion of the State Lottery money, mandate funding, and any transfers from other district special funds for Focus-on-the-Future items are also considered supplementary revenue.

Funds 12 through 67 - Other Funds

As outlined above, the General Fund of the District is the main operational fund of the District. However, there are other special purpose funds. The special funds have a budgeting and accounting process similar to the General Fund in that a budget must be adopted for any of the active special funds, and the accounting process is governed by the same laws, rules, and regulations as the General Fund.

The Orange County Treasurer invests the money in the special funds through the Orange County Treasurer's Money Market Educational Investment Pool. Investments are restricted by guidelines approved by the Orange County Board of Supervisors. Excess funds are invested in the Orange County Treasurer's Extended Term Fund. This garners additional interest earnings opportunities. According to law, all interest earnings for the commingled moneys shall be deposited in the General Fund unless the Board of Trustees directs the interest paid to the fund that contains the principal. All Building Fund interest will be deposited to the Building Fund. The General Obligation Bond Fund interest will be deposited in the Bond Funds which are sub funds of the Building Fund. The State School Facilities Fund interest will be deposited in the State School Facilities Fund. By Board resolution, interest on the principal contained in the Child Care Development Fund, Cafeteria /Food Services Fund, Capital Facilities Fund, Plummer Auditorium Fund, Deferred Maintenance Fund, Special Reserve Fund, Workers Compensation

Benefits Fund and Health and Welfare Insurance Fund, shall be deposited directly into the respective funds.

The District's long-range spending plan, Focus-on-the-Future, includes both non-bond capital outlay and salary-related expenditures. Capital outlay expenditure items are charged to the Building, Capital Facilities, and Deferred Maintenance Funds because the District is receiving restricted money for this purpose. However, according to the State accounting manual, any salary-related expenditures charged to the Special Reserve Fund must have the expenditure recorded in the General Fund. Therefore, an equal amount of money shall be transferred from the Special Reserve Fund and expended from the General Fund for those salary-related items as approved in the Focus-on-the-Future plan.

In 2007 the District established a new fund, Self-Insurance Fund 68 for Workers' Compensation, to ensure that expenditures, revenues, and any contributions from the General Fund to meet the reserve requirement are clearly accounted for in the new fund. At the close of each fiscal year, calculations are made to ensure the District has an adequate reserve as recommended by an actuarial study. The balance of this fund would reflect the amount to which the District has mitigated its Workers' Compensation risk.

The Health and Welfare Insurance Fund has equal monthly amounts transferred from the General Fund for paying claims, administrative costs, and premiums.

Fund 12 - Child Development Fund

This fund is used to account separately for federal, state, and local revenues to operate child development programs.

The principal revenues in this fund are:

- Child Nutrition Programs (Federal)
- State Preschool Child Nutrition Programs (State)
- Child Development Apportionments
- All Other State Revenue
- Food Service Sale
- Interest
- Child Development Parent Fees
- All Other Local Revenue
- Interfund Transfers In

All moneys received by an LEA for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code* Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation

of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code* Section 8328).

Child development programs that are not subsidized by state or federal funds and that are operated with the intent of recovering the costs of the program through parent fees or other charges to users, if significant, should be accounted for in an enterprise fund.

As part of the District's implementation of the State Standardized Account Code Structure (SACS), the Child Care Development Fund was established effective July 1, 1999. All child care expenditures related to support La Sierra High School's Teenage Pregnancy and Parenting Program (TAPP) are accounted for in the fund.

Fund 13 - Cafeteria Special Revenue Fund

This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090–38093).

The principal revenues in this fund are:

- Child Nutrition Programs (Federal)
- Child Nutrition Programs (State)
- Food Service Sales
- Interest All
- Other Local Revenue

The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (*Education Code* sections 38091 and 38100).

Prior to July 1, 1999, Food Services revenue and expenditures were handled through a separate account rather than a fund. The account allowed Food Services to pay vendors directly through a checking account rather than processing vendor warrants through the Orange County Department of Education. As part of the District's implementation of the State Standardized Account Code Structure (SACS), it was necessary to establish the Cafeteria Fund. The District is on the National School Lunch Program for reimbursements. Contributions from General Fund are not anticipated at this time. Due to delay in the payments, the District anticipates only doing temporary transfers during the year as needed to support the costs until payments are received.

Fund 14 - Deferred Maintenance Fund

This fund is used to account separately for state apportionments and the LEA's contributions for deferred maintenance purposes (*Education Code* sections 17582–17587).

The principal revenues in this fund are:

- Deferred Maintenance Allowance
- Interest
- Interfund Transfers In

Moneys in this fund may be expended only for the following purposes:

- Major repair or replacement of plumbing, heating, air-conditioning, electrical, roofing, and floor systems
- Exterior and interior painting of school buildings, including a facility that a county office of education is authorized to use pursuant to *Education Code* sections 17280–17317
- The inspection, sampling, and analysis of building materials
- The encapsulation or removal of materials containing asbestos
- The inspection, identification, sampling, and analysis of building materials to determine the presence of materials containing lead
- Any other maintenance items approved by the State Allocation Board

In addition, whenever the state funds provided pursuant to *Education Code* sections 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the district (*Education Code* sections 17582 and 17583).

The Deferred Maintenance Fund is structured to account for matching dollars from the State for up to one-half (½) of one percent of estimated General Fund expenditures (less capital outlay and other outgoing transfers), providing the District also transfers an equal amount of money from the General Fund. Besides the basic match, the Board-approved Focus-on-the-Future plan states that any additional matching money provided by the State above the one-half (½) of one percent will be matched. To the extent allowable by law, beginning in 2009/10 the State revenue for Deferred Maintenance is being flexed to the general fund. Expenditures for Deferred Maintenance projects are expended in accordance with the State Five-Year Deferred Maintenance Program.

Fund 17 - Special Reserve Fund for Other than Capital Outlay Projects

This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (*Education Code* Section 42840). Amounts from this special reserve fund must first be transferred into the general fund or other appropriate fund before expenditures may be made (*Education Code* Section 42842).

Although this fund is authorized by statute, it does not meet the GAAP definition of a special revenue fund; it functions effectively as an extension of the general fund. For presentation in the

audited financial statements, this fund can either be combined with the general fund, or it can be reported separately and the departure from GAAP explained.

For the Fullerton Joint Union High School District, the Special Reserve Fund, as the name implies, is established for the purpose of providing a financial reserve for specific purposes set by the Board of Trustees. At the present time, the Fund is being used to account for money received which is “one-time money.”

The monies contained in the accounts within the Special Reserve Fund are restricted by local Board action for educational enhancements contained in the Focus-on-the-Future plan. Future Board action could unrestrict the monies at a later date if the Board were to take such action. Currently \$805,177 is being transferred annually from Fund 17 to the General Fund in support of the District’s educational programs.

Fund 20 - Special Reserve Fund for Postemployment Benefits

This fund may be used pursuant to *Education Code* Section 42840 to account for amounts the LEA has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan. Amounts accumulated in this fund must be transferred back to the general fund for expenditure (*Education Code* Section 42842).

Use of this fund is optional. The LEA may account for amounts earmarked for postemployment benefits in the General Fund (Fund 01) or the Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17) instead.

If the LEA pays for its postemployment benefit costs entirely on a pay-as-you-go basis, there is no need to use this fund. If the LEA makes irrevocable contributions to a separate trust for the postemployment benefit plan and the plan assets are in the LEA’s custody, the LEA should use Fund 71, Retiree Benefit Fund.

Although this fund is authorized by statute, it does not meet the GAAP definition of a special revenue fund; it functions effectively as an extension of the general fund.

The Retiree Health Liability Fund, as the name implies, was established for the purpose of funding a financial reserve for this specific purpose in preparation for the implementation of Governmental Accounting Standards Board pronouncements. At the present time, the Fund is being used to account for money set aside under the “pay as you go” method for current retirees only. While the District is not required to fund obligations required for future retirees, it is required to identify in its annual financial report the actuarially determined amount of the unfunded actuarial accrued liability (UAAL). The District is currently paying for retiree health benefit costs on a pay-as-you-go basis.

The monies contained in the Retiree Health Liability Fund are restricted by local Board action to receive and expend retiree health benefits and liabilities under collective bargaining agreements. Future Board action could unrestrict the monies at a later date if the Board were to take such action.

Fund 21 - Building Fund

This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with option-to-purchase of real property (*Education Code* Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code* Section 41003).

The principal revenues and other sources in this fund are:

- Rentals and Leases
- Interest Proceeds from the Sale of Bonds
- Proceeds from the Sale/Lease–Purchase of Land and Buildings

Expenditures in Fund 21, Building Fund, are most commonly made against the 6000 object codes for capital outlay. Another example of an authorized expenditure in Fund 21 is repayment of State School Building Aid out of proceeds from the sale of bonds (*Education Code* Section 16058).

After the sale of a proposed school site in Yorba Linda in December 1984, it became necessary for the District to establish a Building Fund in order to appropriately account for the monies received from the sale of surplus real property. Prior to 1984, the proceeds from the sale of surplus real property (Lowell High School sale in 1981) were included in an account in the Special Reserve Fund. The Building Fund was deemed a more appropriate fund for the proceeds from the sale of real property because it is the fund from which the acquisition of the properties originated. The money contained in the Building Fund is restricted for capital outlay and deferred maintenance purposes only and may be used for general purposes only if the Board of Trustees and the State Allocation Board determine that the District has no anticipated needs for additional school buildings or sites, or has no deferred maintenance requirements for the next five years. In 2006/07 the District sold Certificate of Participation in the amount of \$22,255,000 and will account for the funds in the Building Fund (Fund 21). Of the \$22,255,000, \$18,500,000 was budgeted for construction of La Sierra and La Vista High Schools.

Fund 25 - Capital Facilities Fund (Developer Fees)

This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code*

sections 17620–17626). The authority for these levies may be county/city ordinances (*Government Code* sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (*Government Code* Section 66006).

The principal revenues in this fund are the following:

- Interest
- Mitigation/Developer Fees

Expenditures in Fund 25, Capital Facilities Fund, are restricted to the purposes specified in *Government Code* sections 65970–65981 or to the items specified in agreements with the developer (*Government Code* Section 66006). Expenditures incurred in another fund may be reimbursed to that fund by means of an interfund transfer.

Since 1986, the Fullerton Joint Union High School District biennially held the requisite public hearings and adopted resolutions for the collection of the fees with an approved expenditure plan. Additionally, a notice of exemption was filed with the California Environmental Quality Act (CEQA), and all city planning departments within the District boundaries were notified of the District’s plan to collect the fees. The passage of SB 50 and Proposition 1A in November, 1998, froze the statutory rate which can be collected by school districts.

The Fullerton Joint Union High School District serves as the collection agency for the component elementary school districts having common territorial jurisdiction. In such cases, the fees are subsequently transferred, subject to appropriate legal administrative service charge, to the school district for which the fees have been collected. The fees which are collected are to be used for construction and reconstruction of school facilities.

Government Code Section 66006(b) requires the Board of Trustees to provide and review an annual accounting of any separate capital facilities account established for the deposit of developer fees collected by the District. The information must include a description of the fee and use; award of the fee; beginning and ending balances; the fees, interest, and other income for the year; amount of expenditures by the District by facility; date the project(s) will be completed; description of interfund transfer or loan(s); and, the amount of any refunds made pursuant to Government Code Section 66001(e) during the fiscal year.

Fund 35 - County School Facilities Fund

This fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school

facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

The principal revenues and other sources in this fund are:

- School Facilities Apportionments
- Interest
- Interfund Transfers In

Funding provided by the State Allocation Board for reconstruction of facilities after disasters such as flooding may be deposited to Fund 35. Typical expenditures in this fund are payments for the costs of sites, site improvements, buildings, building improvements, and furniture and fixtures capitalized as a part of the construction project.

Fund 40 - Special Reserve Fund for Capital Outlay Projects

This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to funds 21, 25, 30, 35, or 49. Other authorized resources that may be transferred to the Special Reserve Fund for Capital Outlay Projects (Fund 40) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code* Section 41003).

The principal revenues and other sources in this fund are:

- Federal, State, or Local Revenues
- Rentals and Leases
- Interest
- Other Authorized Interfund Transfers In
- Proceeds from Sale/Lease–Purchase of Land and Buildings
- Federal Emergency Management Act (FEMA)

Transfers from the general fund to Fund 40 authorized by the governing board must be expended for capital outlay purposes. Proceeds from the sale or lease-with-option-to-purchase may be spent for capital outlay purposes, costs of maintenance of the LEA's property, and future maintenance and renovation of school sites (*Education Code* Section 17462). Expenditures for capital outlay are most commonly made against the 6000 object codes for capital outlay.

Salaries of school district employees whose work is directly related to projects financed by Fund 40 revenues are capitalized as a part of the capital facilities project.

In April, 1989, the Board of Trustees entered into an agreement with the Fullerton Redevelopment Agency for the improvement and use of Plummer Auditorium. The renovation of the facility was completed in 1993. Money in the fund is restricted and can only be used for improvements at Plummer Auditorium.

Fund 49 - Capital Projects Fund for Blended Component Units

This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (*Government Code* Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a “Community Facilities District” (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

The Capital projects for blended component units fund is used by the District to receive and expend Mello-Roos mitigation fees from community construction projects. Mello-Roos CFD revenues can be used by school districts to finance facility construction and renovation projects. In addition to addressing school facility needs. Mello-Roos bonds can be used to finance such things as equipment, furniture, and vehicles.

Fund 52 – Debt Service Fund for Blended Component Units

The Debt Service Fund for blended component units account for the accumulation of resources for the payment of the principal and interest on general Mello-Roos debt. This fund is for the payment of debt services on Mello-Roos accounts.

Fund 67 - Self-Insurance Fund

Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of an LEA. Separate funds may be established for each type of self-insurance activity, such as workers’ compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

The principal revenues in this fund are the following:

- Interest
- In-District Premiums/Contributions
- Interagency Revenues
- All Other Local Revenue

Expense transactions in the Self-Insurance Fund (Fund 67) shall be recorded for the payment of claims, estimates of costs relating to incurred-but-not-reported (IBNR) claims, administrative

costs, deductible insurance amounts, cost of excess insurance, and other related costs. Most of the activities of Fund 67 should be coded to Function 6000, Enterprise.

Amounts contributed to Fund 67, Self-Insurance Fund, are lawfully restricted for insurance purposes (*Education Code* Section 17566 and *Government Code* Section 53205).

Fund 67 contains two sub funds.

- Fund 68 – Workers’ Compensation Benefits Fund
- Fund 69 – Health and Welfare Self-Insurance Fund

Fund 68 - The District established the Self-Insurance for Fund 68 for Workers’ Compensation benefits in 2007, to ensure that expenditures, revenues, and any contributions from the General Fund to meet the reserve requirement are clearly accounted for in the new fund. At the close of each fiscal year, calculations are made to ensure the District has an adequate reserve as recommended by an actuarial study.

Fund 69 - As a result of a continuing inflationary spiral in the health insurance industry, the District reassessed the health and welfare plan designs in 1987/88. After a review of alternative funding mechanisms, the District implemented a self-insured medical, dental and vision plan beginning in 1987/88 at the 1986/87 premium level. In 1993/94, the District, after a thorough review of options, joined the Metropolitan Employees Benefits Association (MEBA) for medical benefits as a cost-containment measure. The current MEBA providers under Blue Cross of California are Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO). MEBA also offers Kaiser as the third option for medical insurance. The District continues to sponsor self-insured dental, while MEBA provides vision and life benefit plans. Current budget projections are based upon 18 months of creditable claims experience. However, the proposed budget will be subject to further adjustment as renewal rates change and the policy mix changes.