



May 9, 2023

TO: Business and Accounting Administrators
Los Angeles County K-12 School and Community College Districts

FROM: Gabriel Leung, Assistant Director
Accounting and Financial Services
Division of School Financial Services

SUBJECT: Cash Borrowing

Below please find the Los Angeles County Office of Education (LACOE), School Financial Services' (SFS), updated guidance on temporary cash borrowing.

This bulletin provides information and procedures for cash borrowing between district funds and from the School Pools Fund maintained by the Los Angeles County Treasurer (Treasurer). If districts anticipate using these options in the early part of the 2023-24 fiscal year, districts should take appropriate action to pass the required board resolutions by July 1, 2023. Sample resolutions are attached for your reference. This will provide districts the flexibility to borrow cash either between funds or from the Treasurer when needed during the year. Not taking action to address negative cash balances in any of the district's operating funds may result in non-issuance of payroll and/or commercial warrants.

Temporary Borrowing between Funds

Districts may borrow between funds in accordance with the conditions set forth in the board resolution. Based on guidance from the Los Angeles County Treasurer and Tax Collector, LACOE is reminding districts that borrowing from general obligation bond funds may violate State and Federal laws, and is prohibited. As such, LACOE will not approve any journal entries requesting to borrow from their General Obligation Bond Funds (K-12, Fund 21, Community College, Funds 41 and 42).

The following journal entries illustrate borrowing between funds with fund XX making the cash loan and YY receiving it. Funds XX and YY could be 01, 11, 12, 13, etcetera.

<i>Description</i>	<i>Account</i>	<i>Debit/(Credit)</i>
Cash in County Treasury	XX.0-00000.0-00000-00000-9110	(100,000)
Due from Other Funds	XX.0-00000.0-00000-00000-9310	100,000
Cash in County Treasury	YY.0-00000.0-00000-00000-9110	100,000
Due to Other Funds	YY.0-00000.0-00000-00000-9610	(100,000)

In order for the Division of School Financial Services (SFS) staff to approve the above journal, the district must provide a copy of the board resolution that authorizes the cash borrowing between funds. When the cash loan is returned, simply enter the same journal into the financial system, but with the debit and credit reversed for all the lines.

Borrowing Window for Fiscal Year 2022-23

Temporary cash borrowing between district funds to meet cash flow shortages is permitted through June 30, 2023. In accordance with Education Code Section 42603, temporary borrowing of cash between funds prior to March 3, 2023, must be repaid by June 30, 2023. Temporary borrowing of cash between funds from March 3, 2023, through June 30, 2023, shall be repaid in the same fiscal year or in the following fiscal year.

Borrowing Window for Fiscal year 2023-24

Temporary borrowing of cash between district funds to meet cash flow shortages is permitted from July 1, 2023, through June 30, 2024. In accordance with Education Code Section 42603, temporary borrowing of cash between funds prior to March 3, 2024, must be repaid by June 30, 2024. Temporary borrowing of cash between funds from March 3, 2024, through June 30, 2024, shall be repaid in the same fiscal year or in the following fiscal year.

Temporary Borrowing from the Treasurer

When districts opt to borrow from the Treasurer, please submit the request at least seven (7) business days before cash is needed. **Although there is no direct fee to borrow from the Treasurer, negative cash balances will earn negative interest and will be charged to the district's general fund.**

Districts must submit the following four documents for LACOE to approve borrowing from the Treasurer:

- 1. The governing board's signed resolution.** The resolution provides the authority for local educational agencies to borrow from the Treasurer. Please refer to Attachment No. 1 for detailed guidelines and Attachment No. 3 for a sample resolution.
- 2. A cash flow statement for the district's combined general fund.** Please refer to Attachment No. 4 for a sample cash flow statement.
- 3. A district plan for repayment.**

Borrowing Window for Fiscal Year 2022-23

Temporary borrowing of cash from the Treasurer to meet immediate cash deficiencies between July 1 and the last Monday in April is allowed per Article XVI, Section 6, of the California Constitution. Districts must be cash self-sufficient from April 25, 2023, through June 30, 2023.

Borrowing Window for Fiscal Year 2023-24

Temporary borrowing of cash from the Treasurer to meet immediate cash deficiencies between July 1 and the last Monday in April is allowed, per Article XVI, Section 6, of the California Constitution. After this date, districts must be cash self-sufficient through June 30, 2024. Temporary borrowing from the Treasurer should be considered a short-term solution, a one month to two months borrowing period. If a longer-term solution is needed, LACOE advises the district to consider participating in the Los Angeles County Schools Pooled Financing Program, 2023-2024 Tax and Revenue Anticipation Notes (TRANs) Pool. A bulletin will be published in the near future with more details regarding TRANs Pool participation. **TRANs repayment amounts must be set aside before borrowing from the Treasurer is permitted.**

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If you have questions or need assistance, please contact Sachiko Enomoto at (562) 922-6191 or via email at Enomoto_Sachiko@lacoe.edu.

Approved:
Nkeiruka Benson, Director
Division of School Financial Services

GL/SE:lt
Attachments

SFS-A51-2022-2023

Guidelines for Borrowing between District Funds
or
From the School Pools Fund Maintained by the Los Angeles County Treasurer

Borrowing between District Funds

Temporary interfund borrowing of cash is permitted by Education Code (EC) Section 42603 for K-12 districts. District's governing board's approval is required. A sample board resolution is provided in Attachment No. 2.

The governing board of a school district may direct moneys held in any fund temporarily transferred to another district's fund for payment of obligations under the following restrictions:

- No more than 75 percent of the maximum of moneys held in any fund during a current fiscal year may be transferred.
- Borrowing from bond funds (K-12 fund 21, Community College funds 41 and 42) is prohibited.
- The transfer shall not be available for appropriation or be considered income to the borrowing fund.
- Borrowing shall occur only when the fund receiving the money will earn sufficient income, during the current fiscal year, to repay the amount transferred.
- Amounts transferred shall be repaid either in the same fiscal year or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year.

The California Community College Budget and Accounting Manual (BAM) gives the authority to make temporary transfers between funds.

Temporary Borrowing from the School Pools Fund maintained by the Los Angeles County Treasurer (Treasurer)

Temporary borrowing of cash from the Treasurer (in the event of cash deficiencies) is available through the last Monday of April per Article XVI, Section 6, of the California Constitution. The Treasurer cannot loan districts money after the aforementioned Monday and districts must be cash self-sufficient from that point on until the end of the year. Tax and Revenue Anticipation Notes (TRANs) repayment amounts must be set aside before borrowing from the Treasurer is permitted.

The temporary borrowing from the Treasurer may be made under the following restrictions:

- No more than 85 percent of the anticipated revenues accruing to the school district may be borrowed.
- Borrowing may not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year.
- Repayment from the revenues accruing to the school district shall be made before any other obligation is met from such revenue.

CASH BORROWING RESOLUTION

Temporary Interfund Cash Borrowing

_____ District

WHEREAS, sufficient cash is needed to pay obligations for current operating requirements lawfully incurred in the fiscal year, and;

WHEREAS, temporary transfer of cash between district funds is permitted by Education Code Section 42603, and;

WHEREAS, the following restrictions apply to this authorization:

1. Maximum amount of authorized borrowing: \$_____.
2. For fiscal year:_____.
3. Amount shall not exceed 75 percent of any moneys held in any fund.
4. Funds borrowed shall not be available for appropriation or considered income to the borrowing fund.
5. Borrowing shall occur only when the fund receiving the money will earn sufficient income during the current fiscal year.
6. The amounts borrowed shall be **repaid** either in the same fiscal year or in the following fiscal year if the borrowing takes place within the final 120 calendar days of a fiscal year.

NOW, THEREFORE, BE IT RESOLVED, that the governing board of the _____
District hereby authorizes the borrowing of cash between all of the district funds.

Certification of the Clerk of the Governing Board

The agenda listing this item for action was posted as required by law.

The resolution was adopted by the Governing Board on _____
Date

Signature: _____
Clerk of the Governing Board

CASH BORROWING RESOLUTION

Temporary Transfers from the School Pools Fund Maintained by the Los Angeles County Treasurer

_____ District

WHEREAS, sufficient cash is needed to pay obligations for current operating requirements lawfully incurred in the fiscal year, and;

WHEREAS, Article XVI, Section 6, of the California Constitution allows for borrowing from the School Pools Fund maintained by the Los Angeles County Treasurer (Treasurer), and;

WHEREAS, the following restrictions apply to this authorization:

1. Maximum amount of authorized borrowing: \$_____
2. For fiscal year: _____
3. Shall not exceed 85 percent of the anticipated revenues accruing to the district.
4. Shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year.
5. Shall be repaid from revenues accruing to the district before any other obligation of the district is met from such revenue.

NOW, THEREFORE, BE IT RESOLVED, that the Governing Board of the _____
District hereby requests the Treasurer to make temporary transfers of funds.

Certification of the Clerk of the Governing Board

The agenda listing this item for action was posted as required by law.

This resolution was adopted by the Governing Board on: _____
Date

Signature: _____
Clerk of the Governing Board

CASH FLOW STATEMENT

_____ District

Please prepare the cash flow by month first. If the cash balance does not show negative at month end, then break the month into smaller periods until there is a negative cash balance to demonstrate the need to borrow from the Los Angeles County Treasurer.

	Month/ Period	July	August	September	October	November	December 1-15	December 16-31
ACTUALS THROUGH MONTH OF (Enter Month Name)								
A. BEGINNING CASH	9110	3,000,000.00	3,105,500.00	3,166,000.00	2,207,000.00	1,148,000.00	89,000.00	(310,000.00)
B. RECEIPTS								
Revenue Limit								
Property Tax	8020-8079	200,000.00	200,000.00	200,000.00	150,000.00	150,000.00		4,000,000.00
State Aid	8010-8019	200,000.00	80,000.00	100,000.00	100,000.00	100,000.00	100,000.00	
Miscellaneous Funds	8080-8099							
Federal Revenues	8100-8299	-	-	50,000.00	50,000.00	50,000.00		50,000.00
Other State Revenues	8300-8599	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00		10,000.00
Other Local Revenues	8600-8799	500.00	500.00	1,000.00	1,000.00	1,000.00	1,000.00	
Interfund Transfers In	8910-8929							
All other Financing Sources	8931-8979							
Other Receipts/On-going Rev								
TOTAL RECEIPTS		410,500.00	290,500.00	361,000.00	311,000.00	311,000.00	101,000.00	4,060,000.00
C. DISBURSEMENTS								
Certificated Salaries	1000-1999	50,000.00	50,000.00	800,000.00	800,000.00	800,000.00		750,000.00
Classified Salaries	2000-2999	150,000.00	150,000.00	250,000.00	300,000.00	300,000.00	280,000.00	
Employee Benefits	3000-3999	25,000.00	25,000.00	200,000.00	200,000.00	200,000.00	150,000.00	
Supplies and Services	4000-5999	20,000.00	20,000.00	50,000.00	50,000.00	50,000.00	50,000.00	
Capital Outlay	6000-6599	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	
Other Outgo	7000-7499							
Interfund Transfers Out	7600-7629							
All Other Financing Uses	7630-7699							
Other Disbursements/Non Expenditures								
TOTAL DISBURSEMENTS		255,000.00	255,000.00	1,310,000.00	1,360,000.00	1,360,000.00	490,000.00	750,000.00
D. PRIOR YEAR TRANSACTIONS								
Accounts Receivable		100,000.00	50,000.00					
Accounts Payable		(150,000.00)	(25,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	
TOTAL PRIOR YEAR TRANSACTIONS		(50,000.00)	25,000.00	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	-
E. NET INCREASE/DECREASE (B-C+D)		105,500.00	60,500.00	(959,000.00)	(1,059,000.00)	(1,059,000.00)	(399,000.00)	3,310,000.00
F. ENDING CASH (A+E)		3,105,500.00	3,166,000.00	2,207,000.00	1,148,000.00	89,000.00	(310,000.00)	3,000,000.00

CASH FLOW STATEMENT

_____ District

Please prepare the cash flow by month first. If the cash balance does not show negative at month end, then break the month into smaller periods until there is a negative cash balance to demonstrate the need to borrow from the Los Angeles County Treasurer.

	Month/Period	January	February	March 1-10	March 11-20	March 21-31	April	May	June
ACTUALS THROUGH MONTH OF (Enter Month Name)									
A. BEGINNING CASH	9110	3,000,000.00	2,101,000.00	1,097,000.00	268,000.00	(102,000.00)	108,000.00	2,104,000.00	1,153,000.00
B. RECEIPTS									
Revenue Limit									
Property Tax	8020-8079	200,000.00	200,000.00			200,000.00	3,000,000.00	200,000.00	200,000.00
State Aid	8010-8019	100,000.00	100,000.00	100,000.00			150,000.00	150,000.00	150,000.00
Miscellaneous	8080-8099								
Funds Federal	8100-8299	50,000.00	50,000.00			50,000.00	200,000.00	50,000.00	50,000.00
Revenues Other	8300-8599	10,000.00	10,000.00			10,000.00	10,000.00	10,000.00	10,000.00
State Revenues	8600-8799	1,000.00	1,000.00	1,000.00			1,000.00	1,000.00	1,000.00
Other Local	8910-8929								
Revenues Interfund	8931-8979								
Transfers In									
All other Financing Sources		361,000.00	361,000.00	101,000.00		260,000.00	3,361,000.00	411,000.00	411,000.00
Other Receipts/On-going									
Rev TOTAL RECEIPTS									
C. DISBURSEMENTS									
Certificated Salaries	1000-1999	800,000.00	800,000.00	800,000.00			800,000.00	800,000.00	800,000.00
Classified Salaries	2000-2999	300,000.00	300,000.00		300,000.00		300,000.00	300,000.00	300,000.00
Employee Benefits	3000-3999	200,000.00	200,000.00	100,000.00	50,000.00	50,000.00	200,000.00	200,000.00	200,000.00
Supplies and Services	4000-5999	50,000.00	50,000.00	20,000.00	20,000.00	10,000.00	50,000.00	50,000.00	50,000.00
Capital Outlay	6000-6599	10,000.00	10,000.00	10,000.00			10,000.00	10,000.00	10,000.00
Other Outgo	7000-7499								
Interfund Transfers Out	7600-7629								
All Other Financing Uses	7630-7699								
Other Disbursements/Non Expenditures									
TOTAL DISBURSEMENTS		1,360,000.00	1,360,000.00	930,000.00	370,000.00	60,000.00	1,360,000.00	1,360,000.00	1,360,000.00
D. PRIOR YEAR TRANSACTIONS Accounts Receivable		100,000.00				20,000.00			
Accounts Payable			(5,000.00)			(10,000.00)	(5,000.00)	(2,000.00)	(1,000.00)
TOTAL PRIOR YEAR TRANSACTIONS		100,000.00	(5,000.00)	-	-	10,000.00	(5,000.00)	(2,000.00)	(1,000.00)
E. NET INCREASE/DECREASE (B-C+D)		(899,000.00)	(1,004,000.00)	(829,000.00)	(370,000.00)	210,000.00	1,996,000.00	(951,000.00)	(950,000.00)
F. ENDING CASH (A+E)		2,101,000.00	1,097,000.00	268,000.00	(102,000.00)	108,000.00	2,104,000.00	1,153,000.00	203,000.00