

November 2, 2012

Dr. Scott Meier, District Superintendent
Maricopa Unified School District
955 Stanislaus Street
Maricopa, CA 93252

RE: Internal Borrowing between Funds

Dear Dr. Meier:

The Kern County Superintendent of Schools reviewed the Maricopa building fund for the period of 2004-05 through 2011-12. In the opinion of the county superintendent's office, the District borrowed from the building fund as permitted by Education Code Section 42603. Interest earned on the temporary borrowing totals \$1,177.27. Although it is not required by education code, districts typically pay interest at the county investment pool rate.

Internal borrowing between funds, as authorized by Education Code Section 42603, allows Local Educational Agencies (LEAs) to temporarily borrow between funds to address cash flow shortages [1]. In the opinion of the county superintendent's office, LEAs can borrow from any fund for temporary cash flow purposes, including capital facility funds, except when the terms outlined in the Final Official Statement for a capital proceed specifically preclude an LEA from temporary borrowing for cash flow purposes.

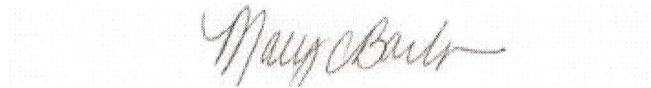
Education Code Section 42603 authorizes temporary loans from any fund. This code Section reads:

"The governing board of any school district may direct that moneys held in *any* fund or account may be temporarily transferred to another fund or account of the district for payment of obligations. The transfer shall be accounted for as temporary borrowing between funds or accounts and shall not be available for appropriation or be considered income to the borrowing fund or account. 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. Borrowing shall occur only when the fund or account receiving the money will earn sufficient income, during the current fiscal year, to repay the amount transferred. No more than 75 percent of the maximum of moneys held in any fund or account during a current fiscal year may be transferred"

It is important to remember that LEAs using the temporary loan option must closely track the repayment so that it is made within the mandatory timeline [1].

Sincerely,

Christine Lizardi Frazier
County Superintendent of Schools

A handwritten signature in cursive script, reading "Mary Barlow", is centered on a light gray, dotted rectangular background.

Mary Barlow
Assistant Superintendent
Administration and Finance
Kern County Superintendent of Schools

MCB:kb

[1] FCMAT. 9 Apr. 2008. Fiscal Crisis & Management Assistance Team.
[http://www.fcmat.org/stories/storyReader\\$6338](http://www.fcmat.org/stories/storyReader$6338)