


Interfund Loans

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Interfund Loans

- What are they?
 - Current resources (cash) borrowed from one fund by another fund.
 - Intent to repay – two way street
 - Short-term solution




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Interfund Loans

- When would we typically use them?
 - Short-term cash flow
 - Accurate financial reporting

Is a loan good or bad?



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The Law

General Municipal Law, §9-a

2. A municipal corporation may temporarily advance moneys held in any fund to any other fund of the municipal corporation. Any such temporary advance shall be authorized in the same manner as prescribed by general, special or local law for making budgetary transfers between appropriations. Suitable records shall be kept of each temporary advance.

3. Moneys temporarily advanced pursuant to this section shall be repaid to the fund from which they were advanced as soon as available but in no event later than the close of the fiscal year in which the advance was made.

If moneys from a fund which, if raised by taxes, special ad valorem levies or special assessments, would be raised from taxes, ad valorem levies or special assessments on a different base of properties than those for which taxes, ad valorem levies or special assessments would be raised for the fund to which the advance is made, the repayment shall include an amount reasonably estimated to be the additional amount that would have been earned on the investment of moneys in the fund making the advance had the advance not been made.




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The Law

Local Finance Law, §165.10

Advances from funds. If there are funds of a municipality, school district or district corporation, other than:

1. The proceeds of bonds, bond anticipation notes, capital notes, urban renewal notes and budget notes, and
2. Funds which, by law, may be used only for stated purposes, which are not immediately required for the purpose or purposes for which the same were borrowed, raised or otherwise created, the finance board may authorize the temporary use of such funds for the purpose or purposes for which an issue of bonds, capital notes or urban renewal notes has been authorized. Suitable records shall be kept of the temporary diversion of such funds. Notwithstanding the provisions of section 165.00 of this chapter, such funds shall be made again available to the municipality, school district or district corporation from the proceeds of such bonds, capital notes or urban renewal notes or from the proceeds of the sale of bond anticipation notes issued in anticipation of the sale of such bonds.




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Capital Projects

Local Finance Law, §165.10

- Budget
- Loan Authorization
- Repayment Timing
- Unforeseen Changes



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The Accounting

- Account Codes:
 - 391 – Due from other funds
 - 630 – Due to other funds
- Treated as balance sheet transactions
- Interest charged (where applicable)
 - General Municipal Law, §9-a
- Balance across all funds

Different from:
 Due from State/Federal – 410
 Due from Other Govts – 440

Village of XYZ Interfund Activity at May 31, 2019

	General	Water	Sewer	Trust & Agency	Totals
391 - Due from Other Funds	\$53,000	\$ -	\$8,000	\$ -	\$61,000
630 - Due to Other Funds	\$8,000	\$53,000	\$ -	\$ -	\$61,000

Example 1

1. To record disbursement in the General Fund for the advance to the Capital Projects Fund:

A391 Due from Other Funds	\$25,000	
A200 Cash		\$25,000

2. To record receipt of the advance in the Capital Projects Fund:

H200 Cash	\$25,000	
H630 Due to Other Funds		\$25,000

Example 1 (cont'd)

3. To record repayment of the advance in the Capital Projects Fund:

H630 Due to Other Funds	\$25,000	
H200 Cash		\$25,000

4. To record receipt of repayment in the General Fund:

A200 Cash	\$25,000	
A391 Due from Other Funds		\$25,000

Example 2

1. To record money wrongly deposited in General Fund. Money was for highway purposes (CHIPS):

A200 Cash	\$25,000	
A630 Due to Other Funds		\$25,000

DA391 Due from other funds	\$25,000	
DA410 Due from State/Federal		\$25,000

Example 2 (cont'd)

2. To record repayment of money in General Fund to Highway Fund:

A630 Due to Other Funds	\$25,000	
A200 Cash		\$25,000

DA200 Cash	\$25,000	
DA391 Due from Other Funds		\$25,000

Example 3

1. To show repayment of \$1000 loan with interest:

A200 Cash	\$1,010	
A391 Due from Other Funds		\$1,000
A980 Revenues		\$10
(A2401 – Interest and Earnings)		
B630 Due to other funds	\$1,000	
B522 Expenditures	\$10	
(B9795.7 – Interfund Loans)		
B200 Cash		\$1,010

Reconciliation

- Schedule out all funds (codes 391 and 630)
- Bank reconciliations
- Outstanding balances
- Unreconciled balances

Common Pitfalls

- Inadequate authorization
- Improper use
- Not repaying timely
- Not repaying with interest (when applicable)
- Not addressing the initial need for loan

Questions?

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