

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?
 - Accurate financial reporting
 - Short-term cash flow

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 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



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Village of XYZ Interfund Activity at May 31, 2016

	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



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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



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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



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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



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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



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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

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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