

**ADMINISTRATIVE CODE
BOARD OF COUNTY COMMISSIONERS**

CATEGORY: Financial/Fiscal/Budget	CODE NUMBER: AC-3-4
TITLE: Loans Between Funds and Subfunds	ADOPTED: 01/19/83
	AMENDED: 09/21/94; 08/09/05
	ORIGINATING DEPARTMENT: Clerk of Circuit Court Finance/Records Department

PURPOSE/PROCEDURE:

The purpose of this code is to establish policy and procedure for loans between funds and subfunds. Due to the timing of cash flows and the need to carry out certain activities, a loan or the cash advance between funds and subfunds may be necessary.

POLICY/PROCEDURE:

Authorization of Loans

Loans between funds and subfunds may be made for a period not to exceed beyond the current fiscal year or thirty days whichever is greater, with the approval of the County Manager or his designee. Loans that will not be re-paid by the end of the current fiscal year must be approved by the Board of County Commissioners to be carried into the new fiscal year.

Interest Bearing Loans

Interest bearing loans are designed to compensate the loaning fund for the loss of interest on the money extended to the borrowing fund. Interest will be calculated monthly using the "simple interest" method. Interest on loans will commence on the origination date of the loan through the repayment date.

Types of Interest Rates

Investment modeling rate – This is a variable rate of interest that is reset each month based on the interest rate used on Board funds deposited at the State Board of Administration (SBA).

Special interest rate – This is a fixed rate of interest that is determined at the time the Interfund Loan Approval form is fully executed.

Interest Free Loans

In some instances it may be desirable or required to loan or advance funds without charging interest to the borrowing fund or subfund (grant regulations). This can be accomplished by designating the loan as "Interest Free" on the Interfund Loan Approval form.

Incremental Principal Payments

Principal prepayments can be applied to an outstanding loan providing there is sufficient cash in the borrowing fund or subfund to do so. This can be accomplished by notifying the Finance Department in writing of the specific loan and dollar amount of the principal prepayment.

AC-3-4 (Continued)

Maturing Loans

Loans will mature on the date specified on the Interfund Loan Approval form, or sooner if requested. Maturing interest bearing loans will consist of the principal amount of the loan (less any principal prepayments) plus accrued interest through the loan maturity date.

The Finance Department will notify the administrative contact prior to the designated maturity dates so the appropriate action can be taken to repay or renew the loan. The administrative contact shall be responsible for notifying Finance that a loan is to be re-paid at maturity, paid prior to maturity and request all loan renewals. Loans should be re-paid prior to maturity whenever there is sufficient cash available to do so. If funds are available on a loan maturity date the Finance Department will repay the loan unless otherwise notified.

Loan Renewals

Loans may be renewed for a period not to exceed beyond the current fiscal year end with the approval of the County Manager or his designee. Loan renewals are to be prepared and processed by using the Interfund Loan Approval form. The principal amount of a loan renewal plus any available cash in the borrowing fund or subfund must be a value equal to or greater than the total principal and accrued interest of the original loan maturing.

ADMINISTRATION OF LOANS

The Finance Department shall establish a method for tracking and administering interest free and interest bearing loans made between funds and subfunds. The information required to administer all Interfund Loans shall be provided on the Interfund Loan Approval form that include the following:

1. Lending fund/subfund
2. Borrowing fund/subfund
3. Loan amount
4. Loan origination date
5. Loan repayment date
6. Type of loan (Interest Free, Investment Modeling Rate or Special Interest Rate)
7. Account string for interest revenue of the lending fund
8. Account string for interest expense of the borrowing fund
9. Administrative contact
10. Approval authority and approval date

BUDGETING OF LOANS

Loans that are initiated and repaid within the same fiscal year are not required to provide budget in the lending or borrowing funds. It may be necessary to budget a loan as revenue in the borrowing fund to provide a source of budgetary revenue for the necessary expenditure authority where no other source of revenue can be anticipated during the fiscal year.

Normal year-end accruals of payables between funds, that are incurred prior to September 30th, but paid after fiscal year-end, shall not be considered loans for the purpose of this policy.

