Policy 3-53 Rev.
Date: November 20, 2006

Subject: **Interfund Transfers and Borrowing**

 I.   PURPOSE and SCOPE

   To outline the rules and regulations governing the transfer of money between funds.

II.   DEFINITIONS

   PTIF – Public Treasurers Investment Fund

III. POLICY

   A. Interfund Transfers

   Interfund transfers are allowable in accordance with generally accepted accounting principles but may on occasion require special attention. All interfund transfers shall be reviewed by the General Accounting Department. General Accounting has the authority and responsibility to request explanations regarding any unusual or non-routine interfund transfers; such transfers may be reviewed with the Budget Office and/or cognizant vice president to assure they are allowable and have been authorized at an appropriate level.

   B. Interfund Borrowing

   Three types of interfund borrowing are permitted:

   1. Internal loans that are approved as a necessary part of normal business operations. For example:

      a. Because bond covenants require fund balances of certain auxiliary enterprises to be swept annually to the Auxiliary and Campus Facilities System reserve, some units require the infusion of working capital at the start of each fiscal year. This infusion shall be treated as a short-term loan. Interest shall be paid on these loans at a rate determined by the Vice President for Administrative Services.

      b. Loans to provide working capital to other units may be approved by the President, cognizant Senior Vice President, or Vice President for Administrative Services. Such approval must be in writing, and should specify maximum allowable amounts. Other terms and conditions of these loans will be determined by the Vice President for Administrative Services.

   2. Internal loans that provide for advance spending for a capital project. Such loans must be approved by the President or the cognizant Senior Vice President, whose approval must be based on the interfund principles articulated below. In all cases, documentation is required that specifies a repayment schedule and the interest rate to be charged. Copies of such documentation must be filed with the Vice President for Administrative Services and the

Budget Office before a loan can go forward. Interfund loans shall not hinder the accomplishment of any function or project for which the lending fund was established.

    a. Repayment schedules shall be expected not to exceed five-years. Exceptions to this rule require approval by the Vice President for Administrative Services.

    b. Interest rates shall be expected to approximate the rate at which the University can earn income from short-term investments at the time when the loan is originated. The earnings rate provided through the state public treasurer's office (the PTIF rate) shall normally be the benchmark. Interest rates will be reset each year (in March; effective July 1) for loan repayment schedules exceeding two years. Exceptions require approval by the Vice President for Administrative Services.

3. In extraordinary circumstances, loans may be made on a prospective basis from the University's consolidated cash funds. Such loans must be approved by the President, upon the recommendation of both Senior Vice Presidents. Documentation is required that specifies a repayment schedule and the interest rate to be charged. The amount of all such loans shall not exceed 20 percent of the University's average cash balance for the prior fiscal year. Compliance with this requirement will be monitored by the Vice President for Administrative Services, who shall provide a status report to the President at least annually.

IV. RULES, PROCEDURES, GUIDELINES, FORMS, and OTHER RELATED RESOURCES

    A. Rules (n/a)

    B. Procedures (n/a)

    C. Guidelines (n/a)

    D. Forms (n/a)

    E. Other Related Resource Materials (n/a)

V. REFERENCES

VI. CONTACTS

Questions about this Policy should be directed to the Associate Vice President for Financial and Business Services – who is the owner of this policy.

VII. HISTORY

New policy as of November 20, 2006