

Temporary Inter-Fund Loans

Education Code Section 42603 provides for a district governing board to make temporary loans from one fund to another for the purpose of meeting payment obligations. However, these loans are required to be repaid within the same fiscal year unless the transfer takes place within the final 120 calendar days of the fiscal year. Board approval is required before making these transfers.

Here is a reminder of what the Education Code states on this matter:

42603. 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.

Inter-fund loans on the books of districts within the county must meet the repayment provisions of the above code section.

We encourage you to review your inter-fund obligations and make repayment before June 30, when cash balances usually make it possible.

To effect the repayment of outstanding inter-fund obligations you should do the following:

1. Determine which funds have outstanding loan obligations
2. Determine if cash balances in affected funds are sufficient to repay the obligations
3. Send our office a letter requesting the obligation be repaid, indicating which funds will be receiving the repayment and corresponding amounts.
4. Have the request in our office by June _____ to ensure posting within the fiscal year.

You should make it a practice of repaying inter-fund loans as soon as cash balances are available to do so. This is particularly important in the case of State School Building Funds, on which the state claims the interest.

If you have any questions please call Business Advisory Services.

The completed resolution should be returned to _____ of this office.

Inter-Fund Loan for Cash Flow Purposes

Resolution No. _____

WHEREAS, the school district occasionally has cash shortages in its segregated funds at the county treasury; and,

WHEREAS, Education Code Section 42603 authorizes inter-fund loans to cover such temporary cash shortages;

THEREFORE, BE IT RESOLVED that the Governing Board of the _____ School District authorizes the District Administration to transfer funds as needed for cash-flow purposes and to repay those transfers as funds become available for the _____ school year.

THE FOREGOING RESOLUTION WAS ADOPTED upon the motion of _____ seconded by _____, at a regular meeting of the Governing Board on the _____ day of _____, 20XX by the following vote.

Motion by _____

Seconded by _____

Ayes:

Noes:

Absent:

Secretary to the Board _____

Date: _____